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ABSTRACT

In March 1995, the U.S. House of Representatives passed the Personal Responsibility Act (H.R. 4), part of the House Republican Contract with America. The bill would move primary responsibility for child and family programs to states and communities, reduce federal spending, and consolidate programs into block grants for child care, child nutrition, child welfare, and temporary assistance to needy families. Converting entitlements into lump-sum block grants is a fundamental shift in federal and state assistance to families. For the purpose of informing congressional and state-level decision making, the 11 essays in this report present a wide spectrum of alternative views about the implications of these policies for all levels of government, for education and human services professionals, and for the nation's children and families. Six principal topics addressed throughout the essays in the report are: (1) to what extent the proposed block grants will provide state and local governments and communities greater administrative flexibility, and what challenges, problems, and opportunities the proposals present; (2) what changes the proposals will make in eligibility; (3) the implications of the shift from entitlements to block grants for present programs, and the effects of this shift on children, families, and communities, as well as on the government agencies administering these programs; (4) how proposed reductions in federal funding will affect state and local capacities to deal with needs of families and children; (5) whether the proposals establish accountability systems to ensure funds are used according to congressional intent and achieve positive results; and (6) whether the proposals maintain an adequate social safety net and offer appropriate protection for vulnerable groups. An initial section provides a summary of the bill prepared by the Congressional Research Service. (TM)

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DOLLARS SENSE

Diverse Perspectives on Block Grants and the Personal Responsibility Act

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DOLLARS AND SENSE

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Diverse Perspectives on Block Grants and the Personal Responsibility Act

September 1995

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and
American Youth Policy Forum and The Policy Exchange
INSTITUTE FOR EDUCATIONAL LEADERSHIP

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INTRODUCTION

Fundamentally changing America's social welfare system is a high priority for the 104th Congress. In March 1995, the U.S. House of Representatives proposed major changes by passing the Personal Responsibility Act. The legislation (H.R. 4) would devolve primary authority to design and deliver supports and services for children and families to states and communities, reduce federal spending, and consolidate a myriad of existing federal categorical programs into large block grants for child care, child nutrition, child welfare, and Temporary Assistance for Needy Families (which would replace the current Aid to Families with Dependent Children [AFDC] program).

The idea of creating block grants is not new. As far back as 1949, a report by the Commission on the Organization of the Executive Branch concluded that "a system of grants should be established based upon broad categories [of funding] as contrasted with the present system of extensive fragmentation."[1] In the early 1970s, the Nixon administration attempted to reduce the federal role in program management and the number of federal categorical programs through special revenue sharing. In 1981, the Reagan administration created nine block grants that consolidated approximately 57 of the more than 300 federal programs that provided assistance to states and localities.

A decade and a half later, block grants are once again a topic of great interest. Current proposals call for consolidations or terminations of federal categorical programs even more far-reaching than those of the early 1980s.[2] They apply not only to small discretionary grant programs but also to the large entitlement programs that comprise the nation's social safety net. Converting these open-ended funding streams or "entitlements," which make resources available based on need, to block grants, which provide lump-sum payments to states, represents a fundamental shift in the way federal and state governments provide assistance to low-income families. Chief among these is the termination of the federal guarantee of assistance to eligible, low-income children and families.

As debate over the proposed reforms continues in the Senate, there is widespread interest in exploring and clarifying the implications of these policy changes for government at all levels, for education and human services professionals, and for the nation's children and families. Accordingly, The Finance Project and the American Youth Policy Forum and The Policy Exchange of the Institute for Educational Leadership have prepared this volume to highlight alternative views on block grants and, in particular, on the proposals outlined in the Personal Responsibility Act. Eleven authors, representing various professional and political

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[1] A Report to Congress on Federal-State Relations (Washington, DC, 1949) cited in George F. Peterson et al., The Reagan Block Grants: What Have We Learned? (Washington, DC: The Urban Institute Press, 1986).

[2] Cheryl D. Hayes, with assistance from Anna Danegger, Rethinking Block Grants: Toward Improved Intergovernmental Financing for Education and Other Children's Services (Washington, DC: The Finance Project, 1995).

orientations, were invited to address the following key issues with an regard to the Personal Responsibility Act:

- Administrative reform and flexibility. To what extent does the proposed block grant legislation provide state and local governments, as well as communities, with greater administrative flexibility? What challenges, problems, and opportunities do the proposed provisions present?
- Eligibility criteria. What do the proposed changes in eligibility mean for needy children and families?
- Financing strategies. What are the implications of the shift from entitlement to block grant funding for AFDC, child welfare, child care, school lunch and breakfast, and the child and adult food programs? What are the expected effects on children, families, and communities, as well as on state and local government systems charged with administering the programs?
- Proposed funding levels. How will proposed federal funding reductions affect state and local capacities to respond to the needs of children and families?
- Accountability. Does the House-passed legislation establish appropriate accountability systems to ensure that states, localities, and other providers use federal funds in accordance with congressional intent and achieve positive results? What additions or modifications would you propose to adequately assess the effectiveness, efficiency, and equity of federal aid?
- Social safety net. Does the proposed legislation maintain an adequate social safety net and offer appropriate protection for vulnerable populations?

This volume of papers reflects the ideas and interpretations of its authors. Three of these pieces were previously published, two as op-ed articles in the Washington Post and one as an article in the National Review. Each article offers important insights into the many issues being debated in the U.S. Senate and in state governments across the country. By making these papers available as a group, our intent is to highlight a wide spectrum of opinion and to inform congressional and state-level decision making. We hope that the views of these authors will stimulate new thinking and induce policymakers and leaders to become actively involved in improving our country's efforts to promote needed support for America's children and families.

The Finance Project and the Institute for Educational Leadership (IEL) acknowledge the contributions of the foundation sponsors of both organizations whose support has made this volume possible, including the Annie E. Casey Foundation, the Commonwealth Fund, the Danforth Foundation, the DeWitt Wallace-Readers' Digest Fund, the Ford Foundation, the Miriam and Peter Haas Fund, the Hewlett Foundation, the Johnson Foundation, the Ewing Marion Kauffman Foundation, the Lilly Endowment, the John D. and Catherine T. MacArthur Foundation, the Charles Stewart Mott Foundation, and the Pew Charitable Trusts. We also want to thank the authors, whose timely response to our request has made it possible to produce this volume in a very short time. And we want to thank the nonpartisan

Congressional Research Service, which developed the summary of H.R. 4 that we have reproduced in this publication.

Special thanks go to Martin J. Blank of the Institute for Educational Leadership, who conceived the project and helped to bring the partners together to make it a reality. Kate Kelleher of The Finance Project and Sharon Hurwitz of IEL assembled the papers and prepared them for production.

We appreciate the efforts of all who contributed to this collaborative effort.

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of the

Institute for Educational Leadership

WELFARE REFORM: THE HOUSE-PASSED BILL (H.R. 4)

The following summary of H.R. 4 (The Personal Responsibility Act) was prepared by the Congressional Research Service. CRS is a part of the Library of Congress that provides members of Congress with nonpartisan information and analysis. This summary was written by the following staff members of the CRS Education and Public Welfare Division: Vee Burke, Joe Richardson, Carmen Solomon, Karen Spar, and Joyce Vialet. This document was originally published as CRS Report for Congress No. 95-375, updated April 5, 1995.

Editors

This report briefly summarizes provisions of the Personal Responsibility Act (PRA), passed by the House on March 24, 1995. This legislation would dramatically reshape cash and food welfare programs and child welfare services in conformity with the House Republican Contract with America. After passage, the Congressional Budget Office (CBO) estimated that the PRA (H.R. 4) would reduce mandatory Federal outlays (direct spending) by $76.3 billion over five years, but that it also would authorize an *increase* of $14.2 billion in appropriations for *discretionary* spending. Provisions include: replacing the program of Aid to Families with Dependent Children (AFDC) with a capped block grant, establishing separate block grants for major child care, child welfare, and child nutrition programs, restricting Food Stamp benefit increases, ending Supplemental Security Income (SSI) benefits for substance abusers, restricting SSI eligibility for disabled children, ending benefits for most aliens, strengthening child support enforcement, and repealing the program of Job Opportunities and Basic Skills (JOBS) for AFDC families. The final bill reflects three bills[1] produced by three committees after deliberation on the version of the PRA that was introduced as H.R. 4 on January 4. The measures were consolidated into an omnibus bill (H.R. 1214), which was redesignated H.R. 4 before passage and amended (reducing five-year outlay savings by $3.5 billion).

Title 1. Block Grants for Temporary Assistance for Needy Families

(CBO estimate of five-year Federal outlay savings: $13.435 billion. *Note: This includes savings of $6.22 billion from repeal of AFDC-related child care.)*

Block grants to States for Temporary Assistance to Needy Families would replace the 60-year-old program of AFDC, which now pays about $22.5 billion annually (in Federal-State funds) to almost 5 million families. The bill would authorize annual grants of $15,390,296,000 for five years (plus a $1 billion "rainy day" fund for FY1996 for loans to States with a specified unemployment rate and $100 million annually for four years for States with increased population). The block grant total, an entitlement to States, would be allocated on the basis of States' shares of FY1994 Federal obligations for AFDC, Emergency Assistance to needy families with children, and JOBS (or, if more, their share of average FY1992-1994 obligations

[1]The Ways and Means Committee (H.R. 1157, Welfare Transformation Act); Economic and Educational Opportunities Committee (H.R. 999, Welfare Reform Consolidation Act); and Agriculture Committee (H.R. 1135, Food Stamp Reform and Commodity Distribution Act).

for these programs). The bill would offer States a bonus (up to 10 percent of their basic grant) for reducing the State's percentage of out-of-wedlock births *without increasing abortions*. States would *not* be required to supplement the Federal grant with their own funds. The CBO savings estimates take into account replacement of AFDC by the block grant, repeal of JOBS and related child care, and the effect of the block grant on Food Stamps.

The bill says the purpose of Temporary Family Assistance (TFA) block grants is to increase State flexibility in operating a program to: help needy families so that their children can be cared for at home, reduce needy parents' dependence on Government benefits, and reduce out-of-wedlock births. States could *not* use the funds for cash aid to children of unmarried mothers under age 18 (until the mothers reached 18), nor for children born to families already receiving cash aid, but could use the funds for noncash aid (other than medical services) to any family. The bill requires that benefits be conditioned upon work after 24 months, and in general requires that an adult be dropped from the rolls after a maximum of five years, but hardship exceptions would be permitted for up to 10 percent of the caseload. As in the case of AFDC, to receive aid a person would be required to assign to the State any rights to child or spousal support and to cooperate in establishing paternity of a child. However, unlike AFDC, the benefit would be reduced until paternity was established (and repaid in full after paternity establishment). The bill permits States to transfer up to 30 percent of TFA funds to specified block grants and, for 12 months, to pay incoming families the lower benefit of their former States.

To receive its full block grant, a State program would have to achieve minimum rates of participation by recipient families in "work activities." The participation rate for the entire caseload begins at 10 percent in FY1996 and rises to 50 percent in FY2003; for two-parent families the rate goes from 50 percent in FY1996 to 90 percent in FY 1998. (The overall participation rate would be reduced 1 percent for each 1 percent reduction in the number of families aided, compared to the number in the final year of AFDC.) In general, to be counted as a participant, a person would have to work (in a private subsidized or unsubsidized job, a public sector job or in work experience, or on-the-job training) for at least 20 hours weekly, on average, until FY1999 (required hours of work activity reach 35 in FY2002). For two-parent families, 35 hours would be required from the beginning, with at least 30 hours in a job, work experience, or on-the-job training (job search and job readiness activities would be qualified activities for any family during the first four weeks of their work requirement). Some participants could receive credit for additional work activity hours by engaging in job skills training or education *directly related to employment*. Unlike AFDC, which exempts single parents with no child under three from JOBS participation, the bill exempts no one from work rules.

The PRA would end unlimited Federal funding to States for cash benefits and child care to eligible families with children. It also would end individual entitlement to benefits. (Supreme Court rulings require States to give AFDC to all persons whose income and resources are below State-set limits if they are in a class eligible under Federal rules.)

Title II. Child Protection Block Grant Program

(CBO estimate of five-year Federal outlay savings: $1.953 billion)

The Child Protection Block Grant (CPBG) would replace existing Federal entitlement programs for foster care and adoption assistance and several discretionary programs for child welfare services and child abuse prevention and treatment. The new block grant would be authorized for five years as a capped entitlement; States would be "entitled" to their share of a nationwide authorization ceiling, equal to $3.9 billion in FY1996 and rising to $5.1 billion in FY2000. These amounts are based on CBO projections of entitlement spending for foster care and adoption assistance that would occur with no change in current law (exclusive of increases due to inflation). An additional $486 million annually would be authorized, subject to appropriations. Total funding for programs proposed to be consolidated is almost $4.3 billion in FY1995, and would reach $6.5 billion in FY2000 with no change in current law, according to CBO estimates.

State allotments would be based on the proportion of funds received in previous years under the replaced programs. States would be required to have in effect a child abuse and neglect reporting law and procedures for investigating abuse or neglect reports, removing children from abusive homes, placing them in foster care; and making permanency plans for foster children. States could use funds for any child welfare-related service. Current requirements for certain protections and procedures for foster children would be eliminated. However, States would be required to establish citizen review panels, to submit annual data to the Secretary of Health and Human Services, and to undergo independent audits. Unlike current programs, the proposed CPBG requires no nonfederal contribution. However, for the first two years of the block grant, States would have to maintain their previous level of spending for child welfare services.

Title III—Subtitle A. Child Care Grants

(No authorization of "mandatory" spending)

The existing Child Care and Development Block Grant (CCDBG) would be reauthorized and revised with an increased authorization level intended to provide the amount spent in FY1994 on child care services for welfare recipients, under AFDC and several small child care-related programs, all of which would be repealed. The expanded CCDBG would be authorized for five years, at $2.1 billion for each of FY1996-2000. (A House floor amendment raised the sum from $1.9 billion to $2.1 billion). FY1995 funding for all programs proposed to be consolidated is $2.1 billion.

The new program would be a *discretionary* authorization, subject to appropriations, unlike the current AFDC child care programs, which are entitlements. Grants to States would be based on proportions received in FY1994 under the previous programs, and, unlike the existing AFDC child care programs, would not require a State contribution. Eliminated would be the current prohibition against use of Federal funds to supplant existing non-Federal spending. Goals of the revised CCDBG: give States flexibility in developing child care programs, promote parental choice, encourage States to provide consumer education information to parents, help States provide child care for parents trying to become

independent of public assistance, and help States implement health, safety, licensing and registration standards established in State regulations. States could use their allotments for child care services, activities to improve quality or availability of services, or other activities chosen by the State. However, States would no longer be required to guarantee child care to AFDC recipients who need it to participate in school, training or work. Current law provisions that reserve a portion of funds for quality improvement would be eliminated. Child care would have to meet State health, safety, licensing and other regulatory requirements, but registration of unregulated or unlicensed providers and establishment of minimum health and safety standards no longer would be required. States could use no more than 5 percent of funds for administrative costs, and could transfer up to 20 percent to other block grants. As under the current CCDBG, the family income limit for eligibility would be 75 percent of the State median.

Title III—Subtitle B. Family and School-Based Nutrition Block Grants

(CBO estimate of five-year Federal outlay savings: $11.772 billion. *Note: This saving in direct spending would be partially offset by authorization of the block grants. See below.*)

The bill would replace the National School Lunch Act and the Child Nutrition Act, replacing them with two block grants: a Family Nutrition Block Grant and a School-Based Nutrition Block Grant. States would receive family nutrition grants for programs of their own design to help populations now served by the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Homeless Children Nutrition, Child and Adult Care Food, Summer Food Service, and Special Milk programs. Under the School-Based Block Grant, States would provide aid to schools to run State-formulated school meal programs (including after-school programs).

Under current law, funding for most child nutrition programs (but not WIC) is guaranteed to schools and other sponsors based on the number of meals served at the Federal per-meal subsidy rate. The block grants end this "entitlement" status. Authorized appropriations for the Family Nutrition grant are set at $4.6 billion in FY1996, rising to $5.3 billion in FY2000. A "capped entitlement" to States for the School-Based Nutrition grant starts at $6.7 billion in FY1996 and rises to $7.8 billion in FY2000. CBO estimates that the two block grants would reduce spending by $7.2 billion over five years if the full amounts authorized or earmarked in those block grants are appropriated. (Most of this spending cut would be borne by the Child and Adult Care food program.)

Title IV. Restricting Welfare and Public Benefits for Aliens

(CBO estimate of five-year Federal outlay savings: $17.575 billion)

H.R. 1214 defines separate eligibility rules for Federal assistance for: (1) aliens "not lawfully present" in the United States; (2) aliens "lawfully present in the United States as non-immigrants" (a category from which the following are specifically excepted—aliens granted asylum or withholding of deportation on the persecution grounds, and aliens working as temporary agricultural workers); and (3) other aliens "lawfully present" in the United States. Aliens in the first two categories would be ineligible for any means-based

Federal benefits other than non-cash emergency assistance (including emergency medical services). Special rules would be provided for housing assistance. With limited exceptions, other "lawfully present" aliens would be denied benefits under five means-tested programs (except for non-cash emergency services): SSI, temporary assistance for needy families, social services block grant, Medicaid, and Food Stamps. Exceptions to this bar would include refugees for five years after admission, permanent resident aliens over 75 who have lived here at least five years, honorably discharged veterans, certain active duty military personnel, and (House floor amendment that is estimated to *decrease outlay savings* by $3.775 billion over five years) aliens unable to naturalize because of disability.

The bill also addresses the eligibility of aliens for *State* means-based assistance. It would deny aliens "not lawfully present" and "non-immigrants" such State assistance in the same manner and with the same exceptions as the rule for Federal assistance. Subject to the exceptions stated in the rule for Federal assistance, States would be *authorized* but not required to deny "lawfully present" aliens means-based State assistance.

The bill provides that, in determining an alien's eligibility for any means-tested public benefits program, the income and resources of the alien's sponsor (who signs an affidavit of support) would be deemed to be available to the alien until naturalization. The Immigration and Naturalization Act would be amended to set statutory requirements for affidavits of support and to provide that the pledge of support contained in an affidavit of support is legally enforceable by governmental entities that provide assistance.

Title V. Food Stamp Reform and Commodity Distribution

(CBO estimate of five-year Federal outlay savings: $19.588 billion)

The bill would make far-reaching changes in the Food Stamp program, now serving one in ten persons. Program rules are written by Congress, and Federal funds pay benefit costs ($23 billion yearly) and more than half of administrative costs. The bill would not replace Food Stamps with a block grant, as proposed in the original H.R. 4. Instead, it would "cap" future spending, give States significant power to make decisions on benefits and eligibility for persons receiving cash welfare, change work requirements, and achieve large reductions in future costs by changing inflation-indexing and other rules. It also would consolidate most Federal commodity distribution programs into one grant. Traditionally, Food Stamps have been treated as an "open-ended entitlement," with Federal funding based on need. The bill creates a "capped entitlement" for Food Stamps by setting authorized spending *limits* for FY1996 and future years at amounts reflecting the CBO estimate of Food Stamp costs after implementation of changes in the bill. (House floor amendments increased five-year outlay savings by $145 million, chiefly by denying benefits to parents with overdue child support.)

Title VI. Supplemental Security Income (SSI)

(CBO estimate of five-year Federal outlay savings: $11.450 billion)

The bill would restrict SSI benefits for disabled children, who now total almost 900,000 and receive benefits of about $4.8 billion. Proposed changes: (1) cash benefits would continue for disabled children already enrolled only if they suffer from an impairment that

meets the Federal Listing of Impairments, and (2) new child applicants would be eligible for cash only if they met the Impairment Listing and were either in institutional care or would be placed in that care in the absence of personal assistance. An SSI block grant to States would be established for medical and non-medical services to disabled children who met the Listing. The Ways and Means Committee estimated that about 75 percent of disabled child recipients would continue to receive SSI cash. Numerous other provisions include required review every three years of children's disability status, unless their condition is not expected to improve, and required review of low-birth weight babies. CBO estimates that the SSI restrictions for children would save nearly $14.8 billion over five years; the block grant for services to disabled children is estimated to *cost* $3.8 billion over five years.

The bill would prohibit SSI cash benefits for persons disabled solely because of drug addiction or alcoholism. CBO estimates that this would save $2.0 billion over five years. The bill earmarks some of these savings ($400 million over four years) for drug treatment and drug abuse research, but CBO estimates that only $325 million will be spent.

Title VII. Child Support

(CBO estimate of five-year Federal outlay savings: $479 million)

The bill proposes to restructure the Child Support Enforcement (CSE) system, building it on automated/computerized systems. It would require creation by the Federal Government and States of automated registries of child support orders and of a directory of "new hires" (new employees). The bill requires automated comparisons of social security numbers reported to the directory of new hires with those appearing in the registry of child support orders. When a match occurs, the State directory of new hires would be required to report to the State CSE agency the name, date of birth, and social security number of the employee, and employer identification number. The CSE agency would then, within two business days, be required to instruct the employer to withhold child support obligations from the employee's paycheck. The bill also would require States to operate a centralized collection and disbursement unit.

The bill would require States to streamline paternity determination and to establish paternity for a higher percentage (90 percent rather than 75 percent) of children of unwed mothers who apply for Temporary Family Assistance or CSE. States would be required to implement expedited procedures to collect overdue child support by intercepting or seizing periodic or lump sum payments (like unemployment and workers' compensation), lottery winnings, awards, judgements, or settlements, and various other assets. They would be required to have procedures for seeking a court order against debtor parents that would require them to schedule repayment or participate in work activities. The bill offers States extra Federal matching funds (beyond the usual 66 percent CSE rate) for outstanding performance. Various other changes relate to medical support, liens against property, Federal income tax refund offsets, collection from Federal employees and members of the Armed Forces, fraudulent transfer of property, and access and visitation. On the House floor the bill was amended to require States to implement procedures for withholding or

suspending drivers' licenses and professional, occupational and recreational licenses of persons owing overdue child support (estimated five-year outlay savings, $138 million).

For more information, see:

Title I *Welfare Reform.* CRS Issue Brief 93034, by Vee Burke. Updated regularly.

Welfare Reform: Adolescent Pregnancy Issues. CRS Report for Congress No. 94-591 EPW, by Ruth Ellen Wasem.

Welfare Reform: Estimated State Allocations Under the Proposed Block Grant for Temporary Assistance for Needy Families (Title I of H.R. 1214). CRS Report for Congress No. 95-377, by Gene Falk.

Title II *Child Welfare, Child Abuse and Related Issues in the 104th Congress.* CRS Issue Brief 95029 by Dale H. Robinson and Karen Spar. Updated regularly.

Title IIIA *Child Care in the 104th Congress: Issues and Legislation.* CRS Issue Brief 95009, by Karen Spar. Updated regularly.

Welfare Reform: Estimated State Allocations Under the Proposed Child Care Block Grant. CRS Report for Congress No. 95-365 EPW, by Gene Falk.

Title IIIB *Child Nutrition: Issues in the 104th Congress.* CRS Issue Brief 95047 by Joe Richardson and Jean Yavis Jones. Updated regularly.

Title IV *Immigration and Federal Assistance: Issues and Legislation.* CRS Issue Brief 94037 by Joyce C. Vialet and Larry M. Eig. Updated regularly.

Title V *Food Stamp Reform Legislation: A Brief Summary.* CRS Report for Congress No. 95-366 EPW, by Joe Richardson.

Title VI *SSI Children: Provisions in the House Welfare Bill* (H.R. 4). CRS Report for Congress No. 95-402 EPW, by Carmen Solomon.

SSI Drug Addicts and Alcoholics: Provisions in the House Welfare Bill (H.R. 4). CRS Report for Congress No. 95-433 EPW, by Carmen Solomon.

Title VII *Child Support Provisions in the House Welfare Bill* (H.R. 4). CRS Report for Congress No. 95-401 EPW, by Carmen Solomon.

BABIES, BATHWATER, AND MUDDY WATERS

Sid Gardner

What Congress has done as of early May 1995 has "called the question" on several intergovernmental finance issues that need a better debate than they received prior to November 1994. These issues include the following:

- Whether doing business through 800 categorical federal, state and local programs is the best way to help children and families and energize communities into action for their lowest-income citizens;
- Whether middle-class entitlements need the same strong critique as has been given to unsuccessful programs that aim to help poor children and families;
- Whether progressives can sort out which programs work and which ones have failed and should be terminated; and
- Whether a new generation of block grants can challenge communities and their leaders to set their own clear priorities, instead of having those priorities dictated by dozens of categorical grants.

In this debate so far, only some of these issues have received the attention they deserve. Others have been given very short shrift in the race to complete the first hundred days. However needed, changes that encompass much of the intergovernmental apparatus of the past thirty years and severely alter social programs created over the past sixty years should not be rushed to a point where the debate fails to address these issues in depth.

At the same time, advocates have a responsibility to speak out in favor of something other than the status quo. We should remember how bad the status quo is, since the fate of millions of children was worsening long before the "Contract with America" was set forth in the elections of 1994. To argue against change without setting out the positions available in the vast middle ground between the status quo and the Contract is to become what advocates should never be: merely defenders of the status quo.

The Contract arguably throws out babies with the bathwater in proposing some hastily conceived, badly designed reforms. But it muddies the water further to defend every last categorical program as though they were all equally effective. There are some lousy programs that have failed to help children, and we need to acknowledge that before we can claim to be telling the American people the truth about what children and families really need. The "speak no evil" ethos in which advocates and providers can never find fault with children's programs, no matter how expensive or ineffective they may be, leads to a growing lack of credibility. Some of these overlooked issues are discussed here, in ways that seek to avoid both the facile rationale for the Contract and an automatic opposition to it.

Administrative Reform and Flexibility

This issue is closely linked to the following one of accountability. What Congress has done is only half of the job: beginning to trim radically the excesses of the categorical undergrowth.

But just handing over the grant structure, trimmed of 10 to 20 percent for overhead, doesn't go much beyond the block grants of the 1970s and 1980s--or even the first ones that were part of the Great Society, like Partnership for Health and Model Cities. What is still missing is the accountability dimension.

The accountability agenda has to flow in part from the collaboration agenda, which is undeniably enhanced by block grants. It is possible that the new flexibility will mean that programs and agencies that need to work with each other in order to succeed with clients they share will finally be able to do so--without having to cut through the tangled thicket of the different categorical funding sources that have been at the heart of so many "barriers studies" which have gone on the shelf because the categorical system was taken as holy writ and unchangeable. Now the change is here--and now the barriers excuses--or realities--are far less relevant than what communities are going to do to put the pieces together in ways that help children and families.

The example that seems so important, given the problems faced by children who are abused or neglected by their parents, is the need for closer ties between drug and alcohol treatment and the child protective services system. Study after study has documented that about 70 to 80 percent of the families entering the child welfare system are substance-abusing families. Despite this overlap, the typical practice in most child welfare agencies is still to hand a client who has just lost her children a set of phone numbers of treatment agencies and tell her she has to comply with a service plan. That is normal practice, and it is wholly inadequate. With the Child Protection Block Grant in place and the Substance Abuse Block Grant stripped of its earmarks for special groups, there would be far fewer excuses for these two systems to fail to work together in ways that recognize that they share the same clients, and that neither system can achieve its goals without closer links to the resources in the other system.

The administrative reform that results from the new flexibility is not just about collaboration at state and local levels; it is also about capacity building. Those states that have begun to experiment with stronger forms of leadership and staff development around decategorization and local decision making--California, Hawaii, Iowa, Minnesota, and Tennessee--are arguably much more ready to use the administrative freedom that they would be given in the block grants. Those states that still accept the categorical grant system as immutable have a great unfinished agenda of training and staff development to get their staffs ready to work with communities in the difficult tasks of priority setting. Merely removing the federal earmarks does not guarantee that there will be a legitimate, credible local process for allocating newly decentralized funding. The federal guidelines for block grants will almost certainly pass up the opportunity to set benchmarks for state and local capacity building--but that does not mean states and communities should not develop their own criteria for administrative reform and use them in granting discretion at the local level. Some communities are more ready than others--and those that are should get more discretion than the others.

Accountability

Perhaps the clearest implication of the block grants and other intergovernmental shifts in policy is that state and local governments need to get ready for more discretion--and more accountability for results. While the Clinton Administration has made laudable efforts to emphasize *performance* in its own intergovernmental partnership proposals, these efforts have been undercut at times by the administration's tendency to spawn largely unconnected new "categorically comprehensive" initiatives that have dissipated local energies in new waves of planning and grant chasing over the past three years.

Some communities have devoted countless hours in the past year to writing grant proposals for empowerment zones, family preservation, Goals 2000, school-to-work, after-school youth development, in-school youth development, gang prevention, and so on. Many of these grants focused on the same neighborhoods, children, and families--but each required a separate request for proposal, application, letters of endorsement, and memoranda of agreement. And these all emanated from a "reinvented" government. There are surely better ways to use scarce community energy, both at the leadership and grassroots levels. And there are much better ways to get accountability for serious priorities than to spew out a myriad of "priorities" dictated by the latest grant cycle, defining what is important by what another level of government is willing to fund.

So what needs to be added to the debate is how all of these changes play out at the local level. I think of two specific communities in which I have worked in the past year. One is a community of about 135,000 with 141 separate youth programs. The second is a community of about 250,000 with 63 different "parent education" programs. Long ago, Tocqueville pointed out our special genius in creating lots of voluntary outlets for people who care about their community. But surely there is a point of diminishing returns in which the wasteful competition for funding and re-funding among all these programs takes energy away from their clients. And the fact that none of these programs is annually evaluated against a set of specified client outcomes makes it even clearer that the system is not being run with the needs of the clients at the center.

We have today an agency-centered system. What we need is a client-centered system. It is possible that Congress will make some changes that ensure that the agencies that survive and flourish will be those that do the best job for their clients--not those with the best development directors. That would be a good change. That is not yet, however, what Congress has proposed, and so advocates and others need to set about making sure that they know what will happen when the new block grants hit the reality of state and local governments.

Advocates should be developing new kinds of "capacity scorecards" that can rate the accountability machinery of state and local governments just as they now rate the conditions of children and families through the national "Kids Count" projects supported by the Annie E. Casey Foundation. Advocates should be working with the strongest service providers and natural support networks to develop client outcomes that measure both the short-term and long-term results of funding, beyond the ways we keep score today in terms of intake, caseload reimbursement, treatment hours, and categorical compliance with process

requirements. None of these measurements are about whether clients live better lives--which is what is at the center of a client-focused system with serious accountability for results.

Just because Congress has so far left the client outcomes accountability out of the equation does not mean that block grants will not result in more accountability. But if providers do not develop their own outcomes that are fair measures of their work, then budget offices and term-limited, quick-fix-minded legislators will do it for them--and they will get it wrong. The fiscal outcomes measures are always easier to collect, but they invariably ignore the fact that the best client outcomes in the long run are the best fiscal outcomes, because they measure the clients' capacity to escape from the system--to move out of the recurrent cycle of in-and-out of caseloads that so many multi-risk families exhibit.

To take an important example of the workings of one of the proposed new block grants, we should also remember that the 1980 legislation setting up the current child welfare system has never been the prime guarantee that a state will enforce permanency planning; it has been state enabling legislation, which in several states goes well beyond the requirements of the 1980 legislation. After the *Suter* decision, it was clear that states were only going to be as good in their child welfare programs as their own citizens and media would force them to be. That reality is unchanged by the proposed Child Protection Block Grant. But now advocates may be able to place new emphasis on what happens in the state capitals rather than in overstaffed congressional committees that define their accomplishments by passing new categorical legislation with token amounts of money.

Eligibility Criteria

The proposed cuts have already encountered the terrible arithmetic that accompanies any effort to reduce spending in ways that do not create new disincentives for escaping dependency. One of the things we learned in the early 1980s was how powerfully the proposed cuts of that generation of budget cutters undermined the very working families that were the idealized clients of the conservative critics of social programs. Tom Joe, Cheryl Rogers, and other analysts showed how much the cuts made welfare more economically attractive for some families.

The label of personal responsibility on the Personal Responsibility Act would have been much more credible if the Congress had added a dimension of personal responsibility beyond its attack on the welfare system. A growing number of local agencies, especially family support programs, are adopting the concept of *reciprocity* in urging or requiring that clients pay for the services they and their children receive. This is a different way of thinking about eligibility, which in the past has always emphasized the weaknesses of clients--never their abilities. If the block grants added this emphasis, many states and communities would respond with great enthusiasm to a reciprocity requirement. And clients might be treated with the same dignity as paying customers, instead of dependent objects of charity.

Financing Strategies

The end of entitlements clearly raises the risks for state and local governments that the contingency funding sources will be too little in times of economic downturn. But there are

some other issues of financing strategies that go beyond the end of entitlements. Some of these touch on the discussions about the need for an end to all middle-class and corporate subsidies in implementing the Contract. I have one particular subsidy in mind that affects children and families directly.

Last year, it was truly disgraceful how quickly the options for alcohol taxes were taken off the table by both the Clinton administration and Congress in the discussion of financing health reform. This policy exclusion completely ignores the growing mismatch that has been documented in several states and counties between what states are being forced to spend to clean up after alcohol and the levels of current sales and excise taxation. It would be hard to find a better definition of subsidy than a state that takes in $100 million in alcohol taxes and sales taxes on alcohol but spends $1 billion to treat the alcohol-related problems of Medicaid, mental retardation, special education, child abuse, domestic violence, automobile accidents, and corrections. Nationally, we spend more than $100 billion each year to pay for the costs of the impacts of alcohol on all public and private systems.

Nothing but the political power of the alcohol lobby--and the cowardice of contribution-seeking elected officials--can explain this mismatch. In effect, it amounts to a subsidy for those who use, manufacture, and distribute alcohol. Coming from a state where the Democratic Party has been funded heavily through tobacco and alcohol contributions for many years, I find it painful to see these trends continuing at the national level as well. But few advocates have been willing to take on these issues--and some even have alcohol industry leaders on their letterheads and accept money from the industry! Until advocates and providers recognize that financing strategies need to connect with the *causes* of spending, their inability and unwillingness to connect alcohol taxation with impacts on children and families will continue to be part of the problem. The principle that has been raised by the proponents of the Contract--an end to middle-class and corporate subsidies--is the core argument for the importance of this point. It remains to be seen whether either proponents or opponents of the Contract will apply this principle to the example of alcohol subsidies.

The other major change in financing strategies appears likely to be a renewed stress on managed care that extends beyond the health sector to other child and family services. With the end of Medicaid entitlements and the shift to a block grant to states, the incentives for states to move to managed care contracts will obviously be greater. Already child welfare agencies are holding national meetings on the significance of managed care. Here too, advocates are at risk of taking an automatic position opposing managed care without developing standards for what appropriate uses of managed care might be able to accomplish for children and families. A friend who heads a state advocacy organization related an incident that suggests how important these issues could be. His organization had been able to negotiate some new coverages in a state contract for Medicaid health maintenance organization services, and he was recounting these to a national advocacy organization. The national staff person said the organization was not interested in any success stories of managed care--only those that showed the harm it could do.

Proposed Funding Levels

If we won't take a stand in favor of shifting resources from weak programs to those that are most effective, then across-the-board cuts are as fair as any method. The saddest stance for advocates to take would be a defense of the present distribution of funding, in which the message is that cuts should never be made in programs that attempt to help low-income families. We need to admit that some programs just haven't worked. This is especially true at a time when we are spending more than $600 million a year and taking 16,000 police officers off the streets to run a failed program like Drug Awareness Resistance Education, simply because we don't want to face the fact that substance abuse is a family disease and requires a family-focused program to be effective. School-based prevention programs can be effective, but not if they are based on a tiny dosage of 17 hours in the life of a fifth grader. If we react with automatic opposition to cuts in drug-free schools programs, instead of arguing that we need to cut out the ineffective programs and replace them with programs that respond to the entire family, we will never succeed in gaining credibility based on our support for programs that work.

There is a generation of excellent programs that have been implemented in dozens of communities over the past ten years, using the ideas of family support, school-linked services, and prevention programming. But there are also many programs that are marked far more by their good intentions than by their results--and good intentions end up being about protecting agencies rather than helping their clients.

To their credit, some of those in Congress who have proposed deep cuts in low-income benefits have also raised the issues of the high end of Medicare subsidies, farm subsidies, veterans' benefits (I write as a Vietnam veteran who seeks better care for those who need it most and reduced subsidies for those who need it least), and even corporate welfare (as described in the excellent report recently issued by the Heritage Foundation). It remains to be seen whether the follow-up on these commitments to balance the pain of deficit reduction addresses the equity issues of the imbalance between those with political clout and those who lack it.

But the cuts are too deep in some programs that have proven themselves--or deserve more time to do so. Here are some of the clearest examples of endangered programs that can make a better case--if they are willing to address the need to move away from their own turf protection positions:

- Nutrition programs--if they were better linked to parent education and teen parenting programs;
- Early childhood programs--if some of the worst turf wars in the entire arena of human services among different kinds of child care providers can be overcome for the good of the children;
- Family support programs that build on natural helping networks, instead of new bureaucracies; and
- School-linked service programs, if the treatment of health and social services in school-linked programs is enhanced beyond mere "support services" to a truly equal partnership that is no longer edu-centric. (Some would even argue that the

best possible outcome of another of the proposed changes of the new congressional majority--the elimination of a separate Department of Education--would put federal education functions back where they belong: in a Department of Health, Education, and Human Services that could really become an agency for children and families for the first time since the late 1970s).

But the most important implications of funding levels are that state and local governments will no longer be able to blame Congress for the allocations within funding streams to specific areas. This protected earmark has been how national interest groups have been able to ensure that their constituencies receive clear benefits, and so the substance abuse block grant has had earmarks for women, HIV/AIDS, and other special target groups. These groups will complain bitterly that they are now at risk--but they will also get a new, powerful signal that state and local governments matter.

Making a case that the best of the governors in this nation are less responsive than Congress is not easy to do in the final years of this century, and a generation of advocates used to arguing from the Alabama example may need to look again at whether state and local governments are uniformly--or even on average--less conservative and less responsive to pressure that the current and foreseeable Congress. The political logic of always relying on Washington (and the makeup of interest groups in Washington) to defend the needs of children and families assumes several things: that state and local advocates cannot be effective, that provider groups can always advocate effectively for children and families, while preserving their own dues-paying members' interests as paramount, and that the leaders of Congress and the administration will always know what is best and will always want to do what is best for children and families. These are mighty assumptions, and not easy to prove.

At the same time, an automatic presumption in favor of state and local governments is just as mindless as a presumption that Washington knows best. If a local comment may be permitted, we are seeing today in Orange County, California, in the nation's largest governmental bankruptcy in history, what local government left to its own devices can sometimes do without the checks and balances of active, competitive politics and active, knowledgeable media. The pain resulting from the cuts required to make up a $1.7 billion loss is a forceful reminder of how weak a government can be when it lacks those essential checks and balances. If it weren't so painful in its impact on children and families, it would be comical to watch rock-ribbed conservatives who believe deeply in the sanctity of local government running around Sacramento begging for poorly concealed bailouts using state and federal funding. In a county with $80 billion in property wealth, we are learning a powerful set of lessons, flowing from county elected leaders' apparent belief that they could win at the track and beat Wall Street forever. We have very few resource problems in Orange County, but we have had some severe leadership problems recently. Those leadership problems remind us that the desire to escape accountability is not restricted to any one level of government.

Finally, we must remember that reducing federal funding is not the same thing as reducing all funding. If Family Preservation/Family Support (FP/FS) programs are a good

thing, one can argue, then advocates, providers, and others who became energized by the just-concluded FP/FS planning efforts around the nation can go to work to ensure that allocations for FP/FS funding are doubled or even tripled at the state level. A state is no longer restricted to the amount provided by Washington for FP/FS. To strengthen their case, advocates should learn how much will be freed up by the changes in matching requirements at state and county levels.

General Comments

One hopes that some of this discussion will be about voting behavior, not just intergovernmental reform. The block grants pointedly raise the question of who decides the priorities of state and local governments, and that is about voting, in large measure. If decisionmaking shifts to state and local levels, who votes in state and local elections becomes more important.

In a discussion in Washington a few months ago, some community organizers were talking about how they worked "at the neighborhood level to bring about systemic change." Someone asked them if they ever worked on voter registration--since community organizing not so long ago used to be about voting rights. They said they did not, since that would be "partisan activity." Fortunately, organizers in the 1960s were not so choosy about their tactics. They registered millions of voters who made a great difference in some states and communities. The added importance of lower voting turnout today makes this issue even more salient. In California now a mere 13 percent of the electorate can decide what happens, since only 26 percent of the electorate bothers to vote in primaries. Ignoring that potential impact is accepting the conventional wisdom that "it doesn't matter who votes." There has been abundant evidence in the past few years that it matters a great deal. To empower communities while ignoring whether those communities are voting in proportion to their numbers is trying to reshape America the easy way--with grant programs and rhetoric. Voting is another dimension of organizing--and without it, intergovernmental policy changes will be made based on who *does* vote.

But, again, the electoral waters have also been greatly muddied, because the debate about inclusiveness has turned to a kind of scapegoating that is painfully at odds with our best traditions as a nation. I do not agree with the members of Congress who have used the word "Nazi" in their attempts to argue against the Contract. But throughout history--and in Germany in the 1930s--a sign of failed leadership has been when a people turns on those unlike the majority and blames them for the problems of the nation. Unhappily, the debate about both legal and illegal immigration has been debased by the tone of the discussion. We do need to address the relative overuse of some benefits programs by legal immigrants. We also need to address the supply and demand of illegal immigration and ask whether the best means of stopping it is policy aimed at immigrants or policy aimed at their employers (whether or not they are running for president). But neither of these issues has emerged clearly from the muddied waters of the anti-immigration debate, despite the efforts of those like Jack Kemp and Bill Bennett to raise a higher standard than others who have used the issue for political gain.

Fifty years ago this spring, in the space of a few weeks, the twentieth century lost two of its finest exemplars of what it means to be human. Anne Frank and Dietrich Bonhoffer both died in German prison camps in the spring of 1945, and it is challenging to wonder what they would say if they could listen to the debates we are now having about the future of our nation. I am not sure what they would say, but it might be "How can a nation that is so strong, so wealthy, so protected from much of what plagues the world--how can such a nation be so frightened of those who are different? How can such a nation blame its problems on those who want to come here and work, when such people have been making a contribution since the nation began?"

SUMMARY OF EFFECTS OF HOUSE BILL H. R. 4 ON LOW-INCOME PROGRAMS

Robert Greenstein

On March 24, the U.S. House of Representatives passed H.R. 4, a bill that makes dramatic changes in the cash assistance, child care, child protection, food stamp, and child nutrition programs available to poor individuals. Among other revisions, the bill converts cash assistance and child nutrition programs into block grants and reduces funding under the block grants below the level these programs would receive under current law. While not converting the food stamp program into a block grant, except at state option, the bill makes far-reaching changes to the program and sharply reduces its funding.

The Congressional Budget Office projects that this bill would reduce the funding for the low-income programs included in the bill by $65 billion over five years compared to what they would have received under current law. Because of the design of the cuts, they grow deeper each year, reaching $19 billion per year by fiscal year 2000. Some programs would suffer especially deep cuts. By fiscal year 2005, for example, funding for food stamp benefits would be 30 percent less than under current law.

Funds freed up by these reductions in low-income programs would largely be used to finance tax cuts, most of which would benefit upper-income households and large corporations.

Some of the major provisions of the House bill, also known as the Personal Responsibility Act, would:

- Convert the federal program of Aid to Families with Dependent Children (AFDC), the primary cash assistance program for poor families with children, into a block grant providing a predetermined level of funding to states to establish their own programs for these families. Block grant funding would not rise as the need for assistance increased in a state due to a recession or increases in the number of poor children.
- Prohibit states from using federal block grant funds to provide cash assistance to poor children whose mothers are under 18 and unmarried and to most families that have received cash assistance for a cumulative period of five years, regardless of whether the parents can find work.
- Weaken efforts to move parents from welfare to work by repealing the Job Opportunities and Basic Skills (JOBS) program, which requires states to provide education, training, and work programs for AFDC parents.
- Eliminate cash assistance provided through the Supplemental Security Income (SSI) program for all low-income disabled children who apply for aid in the future except those with impairments so severe they would be institutionalized without it. The Congressional Budget Office (CBO) estimates this would make ineligible approximately 80 percent of the low-income disabled children who would otherwise become eligible for this aid in future years. The bill creates a small block

grant to enable states to provide services to some of the children made ineligible for cash aid, but no child would be assured of receiving these services.

- Cap annual food stamp expenditures at a level that leaves no room for unexpected increases in food stamp participation due to a recession or other factors that cause an increase in poverty.
- Update food stamp allotments at a rate that fails to keep pace with food prices. Within a few years, food stamp benefits would fall below the level needed to purchase the thrifty food plan, the spartan diet designed by the government as the basis for food stamp allotment levels.
- Restrict food stamp benefits to no more than 90 days for all non-disabled working age adults without children unless the adults are working at least half-time or in an employment program. The bill, however, provides funding for no more than 230,000 employment program slots for the more than one million adults who would fall into this category.
- Deny assistance--including food stamps, SSI, Medicaid and cash aid under the block grant--to most legal immigrants.
- End the school lunch program, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), and several other child nutrition programs and replace them with block grants. Funding for the block grants would be reduced below the levels that would have been provided under current law.
- Eliminate the nutritional standards for the school meal programs, WIC, and other child nutrition programs. Because federal funds would be allocated among states in part on the basis of the number of individuals served during the year, states would have an incentive to serve more individuals at the least cost per individual. This could lead states to provide less expensive and less nutritious meals and food packages.
- Repeal the requirement that states use competitive bidding to purchase infant formula for the WIC program. Competitive bidding now saves states over $1 billion per year, which is used to provide WIC benefits to an additional 1.6 million participants each month.

This paper summarizes the effects of the House bill on cash assistance to poor families with children, assistance to disabled children, food stamps, child nutrition programs, WIC, and assistance for legal immigrants. Other Center papers, noted at the end of each section, examine these aspects of the bill in more detail.

Cash Assistance to Poor Families with Children

The current AFDC program is structured to respond automatically to changes in need. Converting cash assistance to a block grant would eliminate this safeguard. Under current law, if more families need cash assistance because poverty increases due to recessions or other changes, the AFDC program automatically expands to ensure that all families that meet eligibility standards and comply with program requirements receive assistance.

The block grant would replace the current AFDC, emergency assistance, and JOBS programs. It would provide states with a fixed amount of funding for each of the next five years--an amount that would not include any adjustment for inflation or for increases in the number of families in need. The total block grant funding level--$15.4 billion per year--is about $2.6 billion, or 15 percent, below what the Congressional Budget Office projects the programs would cost by the year 2000 under current law. Over five years the block grant funds would be more than $8.1 billion, or 9 percent, below the amount the programs would receive under current law. If the economy were to falter, the block grant funds would likely be even farther below the level that would have been provided under current law.

If the number of poor families in a state increases, the state would be faced with unpalatable choices, such as meeting additional need entirely with state funds, denying the newly poor entry into the program, creating waiting lists, or cutting benefits across the board for the remainder of the fiscal year. Among those hardest hit could be working families that usually do not receive cash assistance but lose their jobs in a recession and need temporary help. Substantial numbers of these families--many of whom are two-parent families--apply for aid during economic downturns.

The block grant would also create inequities among states. Each state would receive a set amount of block grant funds each year, based on expenditures for 1994 or for the average of 1992 to 1994. But because relative need among states changes markedly over time, this amount would fall farther short of what is needed in some states than in others. States in which the unemployment rate increases markedly would likely face especially large funding shortfalls. So would states experiencing rapid population growth.

In an attempt to remedy this problem, the bill includes additional funds that would be distributed each year based on each state's population growth. These funds would not adequately address changes in need due to population growth, however. One reason is that the growth rate of a state's total population and the growth rate of its poverty population are not the same and in some cases differ substantially. In addition, the share of these additional funds received by each states would be less than the amount needed to adjust each state's block grant funds by a percentage equal to the state's population growth.

This can best be explained by an example. Between 1991 and 1992, California's population grew by 1.6 percent. If its block grant were to be adjusted for population growth, California would receive an increase of 1.6 percent--or more than $50 million if applied to 1993 spending levels. Under the bill, however, California would receive far less. As measured by the bill, California's population growth represented 16.6 percent of total U.S. population growth. Therefore, California would receive 16.6 percent of the $100 million in funding allocated for population growth--or less than $17 million.

The likelihood that in many states insufficient funds would be available to meet needs is further exacerbated by another aspect of the proposal--the elimination of all state funding requirements. At present, states must commit state resources for cash assistance in order to receive federal funding, which is provided on a matching basis. Under this bill, the matching approach is ended; states would no longer be required to spend their own resources to provide cash assistance to poor families with children. Currently, the cost of AFDC cash

assistance is shared by the federal government and states, with states paying, on average, 45 percent of the cost. Poor states pay a lower percentage while wealthier states pay a higher percentage--up to 50 percent of total benefits. If states were to substantially cut, or eliminate, their financial contribution, the loss to poor families with children would be even more severe.

Children Would Be Denied Benefits

Not only would the block grant structure give states the discretion to deny assistance to any family, a number of provisions in the bill would explicitly forbid states to use federal block grant funds to provide cash aid to certain groups of families. These provisions would prohibit states from using federal block grant funds to provide cash assistance to needy children based on the length of time their families received aid and the marital status and age of their parents.

The bill would forbid states to provide cash assistance under the block grant to families for more than five years at any time in their lifetimes, beginning at the point the bill is passed. This five-year limitation eventually would deny federal cash assistance to large numbers of children, even if their mothers had complied with all work requirements and were unable to find jobs. Nationally nearly half of all children receiving assistance today--or about 4.5 million children--are in families that have received benefits for a cumulative total of five years or longer. (Many of these families accumulate this time in more than one "spell" of welfare receipt.)

In addition, unmarried minor mothers and their children would be ineligible for federal cash assistance until the mother reached her 18th birthday. When fully implemented this provision would deny aid to 70,000 children a year, according to a Department of Health and Human Services estimate.

The bill also would prohibit states from using federal block grant funds to provide cash assistance to children born to a family already receiving aid or to a family that received aid at any time during the ten-month period before the birth of the child. The child would remain ineligible for aid throughout his or her childhood. This provision would apply to children in both married-couple families and single-parent families. That is, a child born to a two-parent family receiving aid under the block grant would be denied federal assistance.

These so-called "child exclusion" or "family cap" proposals reflect a belief that families receiving AFDC are large. In fact, 73 percent of AFDC families include two or fewer children. The Department of Health and Human Services estimates that this provision would ultimately deny aid to more than two million children a year.

The Department of Health and Human Services projects that ultimately about half of all children who would have received AFDC under current law would be denied benefits due to the time limit, the child exclusion provision, or the provision denying aid to minor mothers and their children.

In addition, the bill would mandate that states reduce the cash grants of families that include a child for whom legal paternity has not been established by the state. Even in cases in which the mother has fully cooperated with the child support agency but the state has been

unable to establish paternity (because its system is overwhelmed or because the father is not cooperating), the family's grant would be reduced by $50 or 15 percent, whichever is less.

Several proponents of the provisions included in H.R. 4 have claimed that families denied cash aid under the plan would continue to receive food assistance and Medicaid. Other provisions in the bill, however, would eliminate many federal nutrition programs and fold these programs into block grants with significantly reduced funding. Over time, food stamp benefits provided to poor families would provide progressively less food purchasing power as a result of the changes made to the program. In addition, Medicaid is likely to be subject to deep cuts in legislation coming up later this year.

Work Programs

Although the bill includes work requirements, it repeals the current AFDC employment and training program and provides no funding for states to establish work programs. The bill includes two different work provisions. The first would require all parents who have received cash aid for two years to participate in "work activities." Both what activities qualify and the number of hours parents must participate are defined by the state.

The second work provision contains participation requirements for work programs that states must meet. By the year 2003, the adults in 50 percent of AFDC families must participate in a work program for at least 35 hours each week. In addition, by 1998, one adult in 90 percent of the two-parent families must participate in a work program. Work program activities for this provision are defined as unsubsidized employment, on-the-job training, subsidized public sector employment, or work experience.

States that fail to meet these participation rates face up to a 5 percent reduction in their block grant funding. In its analysis of the bill, CBO stated, "The literature on welfare-to-work programs, as well as the experience with the JOBS program to date, indicates that states are unlikely to obtain such high rates of participation. CBO's estimate assumes each of the 54 jurisdictions would fail the mandatory work requirement beginning in 1998 when the participation rate for two-adult families would reach 90 percent."

While the bill places stringent new work requirements on states, it provides no additional resources for states to use to meet the requirements. When analyzing the Clinton administration's welfare reform bill last year, CBO estimated that the average annual cost of placing a parent in a 20-hour-per-week work slot would be about $6,000. This would pay for both program administration and child care assistance. In the year 2000, block grant funding would fall $1.6 billion below what cash assistance alone is projected to cost--and $2.6 billion below what cash assistance and the current AFDC employment program are projected to cost--under current law. Without additional resources, it is highly unlikely that states could mount work programs for large numbers of parents.

In addition to reducing financial support for work programs, the proposal also reduces support for child care assistance--a key component of efforts to move parents to and support parents in work. A child care block grant included in the same bill withdraws substantial amounts of child care assistance at the same time that states are supposed to place increasing

numbers of parents in work programs. This could result in a large cut in child care assistance for working poor families not on welfare.

(For additional information on the effects of the bill on the cash assistance program, see Center analysis, "Cash Assistance and Related Provisions in the Personal Responsibility Act (H.R. 4).")

Assistance for Disabled Children

In addition to weakening the safety net for families now receiving AFDC, the bill eliminates federal Supplemental Security Income (SSI) cash benefits for large groups of low-income severely disabled children and their families. CBO estimates that this provision would reduce federal costs by $9.3 billion over five years.

This provision would deny SSI cash assistance to all low-income disabled children who apply for aid in the future except for those few with impairments so severe that they would be institutionalized if not for cash assistance. Under these stringent criteria, future SSI cash assistance would be eliminated for many low-income children who have severe disabilities, such as cerebral palsy, Down's syndrome, or muscular dystrophy. This would be true even for some children who require such extensive care that it is difficult for their parents to work.

The Congressional Budget Office estimates that some 80 percent of low-income disabled children who would have become eligible for SSI cash assistance in the future would be denied cash aid under this bill.

The bill "grandfathers" many of the children currently receiving SSI. Those children already on the program would continue to receive cash aid if the children's disabilities meet or equal the medical conditions included in the relatively limited official listings of disabling conditions that qualify individuals for SSI assistance. If, however, a child's condition did not appear in this listing, or the child suffers from a combination of impairments no one of which meets a definition in the listings, he or she would be terminated from the program within six months after enactment. CBO estimates that about 180,000 of the 900,000 children now receiving SSI would be terminated from the program.

When the effects of dropping a significant number of children currently receiving SSI from the program and the effects of making it much more difficult for newly disabled children to receive cash aid in the future are combined, the net impact is dramatic. Under current law, about 1.25 million children are projected to receive SSI cash benefits in the year 2000. CBO projects that under this bill only about 500,000 children would receive SSI cash assistance. In the year 2000, the full effects of the changes would not yet be realized. As noted above, ultimately 80 percent of those who would have received SSI benefits under current law would be denied cash benefits under the bill.

The bill would establish a new block grant to provide services to some of the low-income disabled children made ineligible for SSI cash benefits. Spending under the block grant is projected to be far below what would be provided under current law for the children who would be denied cash assistance under the H.R. 4. In the year 2000, CBO projects that spending under the services block grant would total $1.5 billion--or just 32 percent of what would be spent under current law for those children denied SSI benefits under the proposal.

(For additional information on the effects of the bill on assistance for disabled children, see Center analysis, "Cash Assistance and Related Provisions in the Personal Responsibility Act (H.R. 4).")

The Food Stamp Program

Although the bill does not transform the food stamp program into a block grant, except at state option, the changes the bill makes are far-reaching. The cost estimate issued by the Congressional Budget Office shows that the bill would reduce the cost of the food stamp program by $23.4 billion over the next five years. The reductions equal $1.8 billion--a 7 percent reduction--in fiscal year 1996, but rise to $6.7 billion--a 21 percent reduction--by fiscal year 2000.

These already-sizable reductions continue to swell after the first five years. Based on the CBO cost estimate for the first five years, the Center estimates that the cuts would exceed $11 billion a year by fiscal year 2005, the tenth year of implementation; they would constitute a reduction of approximately 30 percent by that time. Total food stamp reductions would exceed $70 billion over the 10-year period. The reductions would deepen further in years after that.

Benefits Fail to Keep Pace with Food Prices

The reason that the reductions grow so sharply over time is primarily that the legislation curtails inflation adjustments in food stamp benefits in several ways. For example, instead of keeping pace with food prices, as food stamp allotments always have in the past, the basic food stamp allotment level would rise just 2 percent per year. If food prices jumped 8 percent in a year, the food stamp allotment would still increase just 2 percent. The U.S. Department of Agriculture reports that over the past 20 years, food prices have risen at an annual average rate of 4.6 percent.

CBO estimates that limiting adjustments in food stamp allotment levels to 2 percent per year would cut food stamp benefits $6 billion below the levels needed for the benefits to maintain their food purchasing power over the five-year period.

Within a few years, food stamp benefits would fall below the amount needed to purchase the thrifty food plan, the spartan food plan that was developed under the Ford Administration as the basis for setting the food stamp allotment levels. National surveys conducted by USDA have shown that the thrifty food plan is sufficiently austere that only about one household in every eight whose food expenditures equal the cost of the plan obtains the Recommended Daily Allowances for the basic nutrients.

This change in the food stamp benefit structure would reduce the food stamp purchasing power of nearly all food stamp recipients. Currently, nearly 27 million low-income people, including more than 13 million children, receive food stamp assistance.

Adults without Children

The bill also restricts food stamp benefits to no more than 90 days during their lifetime for non-disabled, working-age adults without children unless such adults are working at least

half-time or are in a workfare or other employment and training program. This is particularly significant because other provisions of the bill make it unlikely there will be workfare slots or employment program slots for most of these individuals.

The bill provides $75 million a year for the establishment and operation of workfare programs, but USDA estimates that amount will fund only 230,000 workfare slots for the more than one million people who would be affected by this provision. In addition, the bill eliminates the $75 million a year currently provided to states for other food stamp employment and training programs and repeals requirements that states operate such programs. Most such programs would probably be discontinued when their funding was eliminated.

As a consequence, large numbers of individuals who are willing to work, to comply with all work requirements, and to engage in workfare stand to be denied food stamps because they can not find employment in the private sector, and no workfare or training slot is made available to them. Most of these individuals are ineligible for any other form of federal assistance. Since they are not elderly or disabled and do not have children, they generally are ineligible for AFDC, SSI, or housing assistance. For many, food stamps is the only safety net they have.

Reduced Responsiveness to Recessions and Other Provisions

Still another key provision of the bill would make it difficult for the food stamp program to respond to increases in need during recessions. This is of special concern because food stamps are an important safety net for workers who become unemployed during recessions. The legislation would place a cap on annual food stamp expenditures at the exact dollar levels the Congressional Budget Office currently projects the food stamp program will cost in each of the next five years if the bill is enacted. No margin for error is provided if unemployment exceeds the CBO forecast or if a recession occurs. CBO currently projects no recession between now and the year 2000. It should be noted that CBO has never predicted a recession in advance.

These are just a few of the provisions in the bill. Among the other major provisions of the bill are the following:

- A new state option under which states could alter the rules for computing the food stamp benefits of AFDC families to align the rules of their welfare and food stamp programs more closely. This option is designed in such a fashion that it would generally result in lower food stamp benefits for poor children receiving AFDC. These reductions in food stamp benefits would become quite large over time and make it increasingly difficult for many of these families to purchase adequate food for their children.
- A change in the formula for computing the food stamp benefits of several million poor families that have high housing costs. This change would mean that food stamp benefits would not be adjusted in future years if the housing costs of these families climbed. As rising housing costs consumed still-larger shares of the budgets of these families, fewer resources would be left for food, but the families

would receive no additional food stamps. USDA estimates that 4.4 million low-income people--more than half of them children--would lose benefits under this provision.

(A more detailed discussion of some of the principal food stamp provisions in the House bill is contained in the Center analyses, "The Food Stamp Provisions of the House Welfare Bill," and "Discussion of Selected Food Stamp Provisions in the Personal Responsibility Act.")

School Lunch and Other Child Nutrition Programs

The House bill ends the school lunch and other child nutrition programs--along with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)--and replaces them with two block grants. One block grant would cover child nutrition programs operated in schools. The other, called the family nutrition block grant, would cover all remaining child nutrition programs and WIC.

Under the block grants, overall funding for these activities would be reduced below the levels that would be provided in current law. While the funding levels for the school nutrition block grant have sparked the most controversy, these funding levels are not the most important aspect of the block grants. The most significant issues regarding these block grants are the impacts that loss of entitlement status, the system for allocating block grant funds among the states, and the removal of federal nutritional standards would have. The issues raised by conversion to a block grant structure would be significant regardless of the level of block grant funding provided.

Funding Levels

The block grants would result in funding reductions for these programs, compared to current law. Funding for school nutrition programs keeps pace under current law with food price inflation and changes in participation in these programs, which are due primarily to rising school enrollments.

Based on an analysis of Congressional Budget Office data, the school nutrition block grant would provide $2.3 billion less over the next five years--or 6 percent less--than would be provided for these programs under current law. By fiscal year 2000, the reduction is close to 9 percent. As a result, the block grant funding levels would not be sufficient to keep pace with rising food prices and increases in school food program participation. Federal support for school nutrition programs would decline in terms of food purchasing power per student.

Under the second block grant--the family nutrition block grant--funding would be reduced by $560 million to $670 million in fiscal year 1996 and by $2.8 billion to $4.6 billion over five years, depending on which of two Congressional Budget Office "baselines" is used. The total five-year funding reduction under the two block grants is $5.1 billion to $6.9 billion.

Loss of Entitlement Status

The proposed block grants would end the entitlement status of the school lunch and breakfast programs, the Child and Adult Care Food Program, and the Summer Food Program. States

would get a fixed amount of money for the year, which would not rise if the number of poor children in a state increased. If a recession pushed hundreds of thousands more children into poverty and caused them to become unable to pay for school meals, no additional federal funds would be provided. During the last recession, the number of low-income children receiving free school lunches jumped by 1.2 million.

Thus, during recessions, states and school districts with rising unemployment could be forced to choose between denying free meals to newly poor children, cutting back on food portions served to children, curtailing school breakfast programs, cutting back on other education services so poor children can eat, and raising taxes or reducing other programs to secure more resources. By failing to provide funding to cover the increased number of poor children in a recession and the rising number of children in child care, the block grants would likely shift substantial costs to states and localities, school districts, and child care providers.

The House bill also shifts federal funds for school food programs from poor states to affluent ones. Its formula for allocating school nutrition block grant funds among states is based in part on each state's share of the total number of school meals served nationwide. Under current law, states receive more federal money for meals they serve free to poor children (a state gets about $1.90 for each such school lunch) than for meals purchased by middle- and upper-income children (for which states receive 31.5 cents per lunch). The House bill, by contrast, treats all meals identically when determining how much block grant funding each state is allocated rather than providing more money for meals served to low-income children. As a result, the block grant would shift federal funds from states in which a larger-than-average proportion of school meals go to low-income children to states in which a smaller-than-average proportion of school meals are served to such children.

In addition, the proposed school nutrition block grant would drop requirements that school lunches provide one-third of the Recommended Daily Allowances for basic nutrients. It also would drop the requirement that poor children not be made to pay for their meals.

Finally, because the block grant would repeal federal meal standards while distributing federal funds in part based on the total number of meals served in each state, it would create perverse incentives for states and schools to offer and sell large numbers of snacks at low cost to maximize their share of federal funds. On a related point, the funding formula would create incentives for schools to reduce the amount of food provided in school meals, since smaller meals would result in no less federal funding then more adequate meals, while the fuller meals would cost schools more to provide.

(For additional information on the effects of this bill on the child nutrition programs, see Center analyses, "The Child Nutrition Block Grants," and "Do the Block Grants Cut Child Nutrition Programs?")

WIC Program

The other child nutrition block grant--the family nutrition block grant--could have major impacts on the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The loss of WIC's identity as a distinct and highly successful program might lead to less favorable treatment by Congressional appropriations committees, which will be

operating under tight spending caps. In addition, under the block grant, funding for WIC would not be able to reach the level at which all eligible women, infants, and children who applied for the program could be served--long a bipartisan goal--unless the other child nutrition programs in the block grant were slashed.

The principal impact on WIC, however, would not be in the block grant's effect on the funding available for WIC operations but rather in the block grant's impact on WIC's integrity and effectiveness. The block grant could compromise the nutritional effectiveness of the program in some states. It also would likely misallocate funds among states, with some states suffering significant losses in funds and others receiving windfalls. In addition, the block grant could reduce the savings generated by infant formula cost containment systems.

Under the block grant, the national standards for the WIC food package, which are based on scientific evidence concerning the foods most needed in the diets of poor pregnant women and young children, would disappear. Each state would determine which foods to provide. It is likely that in some states, agricultural and food industry interests powerful in those states would succeed in securing the addition of their products to the WIC food package. While no farm, commodity or food processing interest has been powerful enough at the national level to secure the addition of its products to WIC when the scientific evidence did not support it, some of these food industry and agricultural interests are far more dominant in individual states where they constitute a significant share of the state's economy. If products are added to the WIC food package in individual states as a result of industry pressure, those states either will have to drop foods that have greater health effects or to serve fewer women and children in need.

In addition, the allocation formula for the distribution of funds under the proposed family nutrition block grant could lead to substantial shifts in funding among states and significant cutbacks in WIC in some areas. Under the formula, a part of the block grant funds would be allocated among states based on each state's proportion of the total number of individuals served under the block grant during the previous year. A child receiving lunches for a few days under the summer food service program--which continues the school lunch program in some low-income areas during the summer and is folded into the new block grant--would count as much under the allocation formula as a pregnant woman or infant receiving WIC food benefits for most of the year. As a result, places with small summer food programs could lose funding under the block grant, which could lead them to cut their WIC programs. Rural states would be more adversely affected because they tend to have much smaller summer food programs than urban states even when their smaller populations are taken into account.

The block grant also would repeal federal competitive bidding requirements for the purchase of infant formula in WIC. Competitive bidding now saves $1 billion a year, which was used to serve an additional 1.6 million participants each month in fiscal year 1994. Prior to the enactment of the requirement that states use competitive bidding, only half of state WIC programs did so.

(For additional information on the effects on the bill on WIC, see Center analyses, "The Effects of House Legislation to Replace WIC with a Block Grant," and "The Repeal of the WIC Competitive Bidding Requirement.")

Legal Immigrants

The House bill would deny assistance under the major federal programs for low-income people to the large majority of legal immigrants. (Illegal immigrants already are ineligible for most major government benefit programs.) The bill also limits state and local governments' ability to assist legal immigrants even when they are using no federal funds.

The bill would deny the large majority of legal immigrants assistance under five major federal benefit programs: SSI, Medicaid, food stamps, the Social Services Block Grant, and the new cash assistance block grant for poor families with children. These immigrants could receive emergency services, such as Medicaid coverage for treatment in a hospital's emergency room, but would qualify for no other aid from these programs.

Only a small number or categories of legal immigrants would be exempt from this ban. Denying legal immigrants SSI, Medicaid, and food stamp benefits would reduce benefits under these three programs by more than $18 billion over five years.

In addition to denying most legal immigrants aid from the major assistance programs, the bill also would narrow immigrants' eligibility for any other "cash, medical, housing, and food assistance and social services" programs operated by the federal government. Legal immigrants who entered the United States with the support of a sponsor would have the income and resources of the sponsor and the sponsor's spouse counted ("deemed") together with their own in determining their eligibility for these other means-tested programs. Even if the sponsor is also poor, the combined income of the immigrant and the sponsor often would render the immigrant ineligible for assistance. The Congressional Research Service estimates that about half of the legal immigrants in the United States have sponsors and would be subject to these deeming requirements.

Finally, with minor exceptions, non-citizens who are legally in this country but have not been formally accepted as long-term immigrants could not receive any non-emergency federal means-tested benefits. For example, people fleeing the civil war in Somalia who are not granted formal refugee status but are given six-month renewable visas would no longer be eligible for aid under the bill.

In addition to severely restricting immigrant eligibility for federal programs, the bill mandates that states restrict eligibility for low-income benefit programs that are funded wholly with state or local funds. State and local governments would be required to follow "deeming" procedures identical to those applicable to federal programs even when dispensing benefits provided entirely with non-federal funds. States and localities also would be required to deny all benefits that are based on low income, except emergency benefits, to non-citizens who are legally in this country but who have not been formally accepted as long-term immigrants, as well as to illegal immigrants.

The broad sweep of these changes would result in the denial of aid to large numbers of legal immigrants with a legitimate need for assistance. Among those denied aid under the

major assistance programs, for example, would be persons lawfully in this country under special programs created in response to human rights emergencies in particular countries, such as Chinese students allowed to remain in the United States in the months after the Tiananmen Square massacre.

In some cases, the denial of aid could increase government costs over the long term. For example, poor pregnant women legally in the country would not be able to receive prenatal care through the Medicaid program. An extensive body of research demonstrates that prenatal care and WIC nutrition benefits for pregnant women are effective in lowering the incidence of low birthweight and, thus, reducing Medicaid costs after birth. Once their children--who will be U.S. citizens--are born, Medicaid could end up paying substantial sums for services the children would need if they are born at a low birthweight.

The prohibition on serving non-citizens legally in the United States but not formally accepted as long-term immigrants and the requirement to count sponsors' income and resources in determining the eligibility of immigrants with sponsors would complicate the administration of many state and local programs. Under the bill, states and localities would be required to determine the citizenship and immigration status of every applicant for non-emergency services and to engage in complicated deeming calculations for any sponsored immigrants who apply for programs providing benefits or services to low-income people. Many state and local agencies may decide to avoid deeming calculations by barring immigrants completely from programs operated with state or local funds.

Conclusion

While there is broad support for proposals to cut federal spending, to increase state flexibility, and promote work and responsible behavior, these efforts must be balanced against the important goal of maintaining a national safety net beneath families with children and other vulnerable people. It also is important to examine welfare reform proposals carefully to determine whether they are consistent with the goals their supporters espouse. On both counts, this bill fails. It would make sweeping cuts that undermine the safety net for many and eliminate it altogether for others. Moreover, in key respects the bill does not promote the goals its proponents claim to support. While mandating high work participation rates, for example, the bill actually reduces support for welfare-to-work initiatives, making it unlikely that states would be able to increase significantly the number of parents participating in work activities. Similarly, the proposal would reduce funding for child care assistance, a necessary support for families moving from welfare to work.

These issues will now be taken up by the Senate, where policymakers have an opportunity to strike a different balance that protects poor families while promoting widely shared goals of welfare reform.

WHY BLOCK GRANTS WOULD BE DISASTROUS FOR AMERICA'S CHILDREN

Clifford M. Johnson

The Children's Defense Fund (CDF) supports welfare reform that promotes work, holds parents responsible, and gives states the flexibility to try different solutions to difficult social problems. But while the goals of reform may be advanced by offering states more flexibility, there is no justification for--and great danger in--withdrawing basic federal guarantees of essential help for children in times of need. If the block grant proposals in H.R. 4, along with similar proposals in House and Senate budget resolutions to incorporate Medicaid into block grants are enacted, they will destroy long-standing national protections for America's children and families and tear up established social compacts between generations of Americans.

Proposals to convert the core entitlement programs that serve as a federally guaranteed safety net for children into block grants are a prescription for disaster. The reasons these block grants cannot and will not ensure that children are protected from harm include the following:

- Block grants do not ensure that every eligible child and family will be served in times of need, raising the specter of waiting lists for basic cash assistance, foster care, or adoption assistance when states run short of funds.
- Block grant funding will not respond to changes in state demographics or the economy that increase levels of need, and will shift enormous burdens to states during recessions.
- Block grants may allow states to reduce or eliminate their own contributions toward funding of essential programs for children when budgets are tight.
- Block grants enshrine wide disparities in federal funding per poor child among states, providing children far less help in Mississippi than in Massachusetts and treating states with growing populations particularly unfairly.
- Block grants are likely to result in sharp declines in federal help for children over time because the federal government will no longer be a full and strong partner in the affected programs and will have little control over the use of funds.

For all of these reasons, CDF shares the views of former Senate Budget Committee chairman and current Florida Governor Lawton Chiles, who recently concluded, "Shifting responsibility to the states, without fair and equitable shifting of the resources, is not any kind of new federalism. It's a shallow attempt to balance the federal budget on the backs of the states; worse yet, on the backs of children, the elderly, and the poor and the sick."

The legislation the House passed in March (H.R. 4) would end the commitments the federal government has made with bipartisan support over decades regarding the treatment of children: commitments, for example, *not* to allow children to become hungry and destitute, *not* to allow children to remain in abusive or neglectful homes, and *not* to permit our poorest children to suffer from untreated illnesses and disabilities. Such commitments to protect

children regardless of where they live or when they need help are the hallmark of wealthy, civilized societies. These compacts also acknowledge that healthy, educated children are vital to a strong, productive national future. Only a nation bent on weakening itself and subverting its future would cut deeply into assistance for ill, hungry, destitute, or endangered children in order to help provide tax breaks for the rich. Yet that is exactly what the block grant and budget proposals now before Congress would do.

The assault on the federally guaranteed safety net for children--including Aid to Families with Dependent Children (AFDC), food stamps, Medicaid, foster care and adoption assistance, child nutrition, Supplemental Security Income, and child support enforcement--goes far beyond the budget cuts driven by deficit reduction efforts in Congress. The block grant plans would alter the very structure of the federal government's response to children's needs, shifting enormous new costs and unfunded liabilities to states. Such a shift would leave low-income children and families vulnerable as they have not been since the Great Depression to the vagaries of the states' economic fortunes, budget battles, and internal political maneuvering.

For decades the federal government has ensured funding sufficient for "lifeline" programs to help all children or families who meet the criteria of need established in the legislation authorizing these programs. The structure of need-based entitlement programs allows the funding to grow when need grows--during economic recessions, for example--and shrink when need declines. H.R. 4 would end this structure by folding the individual programs into block grants with dramatically reduced federal funding to meet the needs of poor children. Over the first five years, the capped block grants would provide the states with at least $40 billion less than they otherwise would have received from the federal government for essential help to children and families (see following table).

Without the assurance of automatically increasing federal entitlement spending, states would face intolerable choices during times of recession, natural disasters, or other unforeseen emergencies. States would either have to pay for the full cost of the additional welfare, food stamp, Medicaid, and other caseloads out of their own declining revenues, or they would have to turn away tens and hundreds of thousands of needy applicants, sharply reduce lifeline benefits for everyone, or employ a combination of these strategies.

How the Block Grants in H.R. 4 Would Hurt Children

Programs losing entitlement status	Dollars lost over five years	Children losing benefits
Cash assistance to poor families (AFDC)	$ 11.4 billion	5.6 million in year 2005
Assistance for disabled children (SSI)	14.8 billion	225,000 immediately
Foster care	3.5 billion	66,000 in year 2000*
Child care assistance to families that works or receive training	1.6 billion	323,000 in year 2000*
School lunches and breakfasts	2.0 billion	2.2 million in year 2000*
Food for children in Head Start and child care (CACFP)	4.5 billion	1.2 million in year 2000*
Food stamps for families with children	13.0 billion	14 percent cut in benefits per child in year 2000

*Assuming states implement funding cuts by cutting enrollments.

One likely result is long waiting lists for subsistence benefits such as AFDC, food stamps, and Medicaid. Yet American ideals of fair play are violated by the prospect of families and children who meet strict eligibility rules being denied benefits simply because they applied for help after funding ran out, or live in a county where the need is especially high, or face some other barrier unrelated to their need or the program's purposes. Just as we do not put 75-year-old retired workers on waiting lists for Social Security, we should not put hungry children on waiting lists for food, or sick children on waiting lists for health care.

Moreover, without the entitlement mechanism it is difficult to devise funding formulas for block grants that treat all states--and their youngest citizens--fairly. Under the formula currently proposed by the House, which is based on the amount of past federal allocations to each state, states that have aggressively taken advantage of the federal funding available to them would get larger block grant allocations than those that have been less active on behalf of children. Such a formula permanently locks in existing disparities in state assistance to children. On the other hand, using a formula based on the number of poor children in each

state would mean that states that have tried harder in the past to meet children's needs immediately would have to cut back their efforts.

The elasticity of the need-based entitlements is important not only because it permits states to respond humanely in hard times, but also because it acts as a national economic stabilizer, automatically channeling federal spending into areas that most need the economic boost that such spending provides. For example, AFDC and food stamp expenditures in the typical (median) state increased by 42 percent between FY1988 and FY1993, largely because of the recession. If a capped block grant had been substituted for these entitlements in FY1988, the typical state would have received $181 million less in federal funds in FY1993. A rigid block grant formula also would misdirect the federal allocations that were made available: states hit hard by recession would get no more funding, while states with vibrant economies would get no less.

The proposed block grants call for blind faith in the willingness and ability of every state to meet the needs of children. But states' track records surely do not justify such faith. For example, states on average collect court-ordered child support in just one of every five cases. And no one who reads the newspapers or watches television could argue convincingly that states generally are doing an adequate job of protecting abused or neglected children from harm--in fact, at least 20 states have found themselves in court defending the shortcomings of their foster care and child protection systems. It's impossible to believe they will be able to do better with fewer federal dollars, even after factoring in some modest savings from increased efficiency.

While most states act responsibly most of the time, we know from experience that not all states do so at all times. The early history of the Food Stamp Program is a striking case in point. In the late 1960s doctors found that low-income children in some areas of the South were suffering from malnutrition comparable to that found in children in underdeveloped countries. At that time, states set their own income and benefit limits for food stamps, even though the program was completely federally funded. Many states set very low benefit limits, and some of the poorest counties declined to run the program at all.

The doctors' findings shocked the nation and led President Nixon to institute national food stamp standards. When doctors returned ten years later to the areas they had studied, they found hunger and malnutrition had been reduced dramatically and credited the Food Stamp Program for the progress.

If some states failed to meet the needs of their children when the federal government was willing to foot the entire bill, they are even more likely to skimp on meeting children's needs under a limited block grant that leaves them to pick up the slack. And we know that even with the moderating influence of the entitlement programs, America's poorest and least powerful citizens still are treated very differently from state to state. State-set benefit levels for AFDC, for example, already vary far more among the states than objective economic differences can explain. Converting key child survival programs into discretionary block grants would undo decades of progress toward ensuring American children in every state a basic level of protection and subsistence.

We are one nation, and all citizens, regardless of where they live and when they need help, must be assured certain minimal guarantees. Making sure that children are healthy and adequately nourished and cared for must be as much a national priority in Mississippi as in Minnesota, in New Mexico as in New York. Ensuring these basic guarantees is the heart of the federal government's responsibility, and programs that comprise the federally guaranteed safety net are the mechanism through which the government discharges that responsibility. No other jurisdiction can assume the federal government's unique role in smoothing out the worst inequities among citizens nationally by directing special help to those who need it most, wherever they happen to live.

Block grants open the door for future Congresses to walk steadily away even from today's promise to provide and maintain funding for essential help to children and families. The history of other block grants reveals how difficult it is to sustain federal interest in and support for programs over which the Congress has little or no control. Whether because their purposes become diluted, their effectiveness cannot be measured, or their constituency in Washington disappears, block grants tend to shrink dramatically over time. The block grants established in 1981 initially were funded at levels 25 percent below the combined appropriations of the individual programs, and over the following 13 years their funding typically plummeted to between one-quarter and one-half of the original appropriations.

In the next decade, as pressures to reduce the federal deficit mount sharply, block grant funding for states could well be slashed repeatedly to meet annual federal budget targets. At the state and local levels, these cutbacks would pit children against far more powerful special interests in the competition for state funding, with potentially disastrous results for our most vulnerable citizens.

Of course, one of the greatest ironies in H.R. 4 is that the promises of greater flexibility and continued funding are combined with a host of new federal mandates, especially regarding welfare benefits. Under H.R. 4, states would have little or no flexibility to decide how to deal with such controversial issues as time-limited benefits, teenage childbearing, or paternity establishment. Forced by the terms of the block grants to deny federally funded aid or emergency services to whole categories of needy children and families, states, counties, or local communities would likely find themselves solely responsible for helping these citizens. Under these circumstances, any flexibility states theoretically would gain with the block grants would be more than offset by new burdens imposed by unfunded liabilities.

There is no question that a thoughtful debate about the respective roles of federal, state, and local governments is long overdue. Government can and should operate more effectively, and the federal deficit can and should be brought under control. But all of this change must be achieved responsibly, not on the backs of the poor and the young. Shifting costs and unfunded liabilities to the states and ending federal assurances that children and families will receive the most basic survival assistance when they are in need or jeopardy will dramatically worsen the nation's most pressing problems, not solve them.

WHAT ABOUT BLOCK GRANTS?: A VIEW FROM THE TRENCHES

Otis S. Johnson

This is a personal viewpoint on the current political debate about block grants. Working at the local level on behalf of children and families, I am responding to public policy created at the state and national levels.

There is a song titled "Everything Must Change." A line in the song says, "There are not many things in life we can be sure of except rain comes from the clouds, sun lights up the sky, and hummingbirds do fly." The ancient Chinese understood change as a combination of danger and hidden opportunity. The morning of November 9, 1994, the day after the midterm congressional election, was the beginning of a new era in American politics. Major changes in the national body politic were imminent. Beginning in January 1995, Republicans would be in control of both houses of the United States Congress for the first time in forty years. Conservatives saw this as a revolution and liberals saw it as the beginning of a nightmare. The Republicans in the House of Representatives would now begin working on their hundred day schedule to carry out their Contract with America. A fundamental commitment in the Contract was dismantling the federal social welfare system.

The fundamental shift in the way federal funds are allocated in the future would involve combining and eliminating federal human services programs. Funds for the combined programs would be given to states as block grants. The prospect of dismantling the federal "safety net" constructed over the past forty years has many child and family advocates at the national and state levels seeing only the worst scenario for the future. Part of this response is the result of partisan political posturing. Other negative responses represent a genuine concern that the proposed cuts in funding to balance the federal budget by the year 2002 will cause severe suffering. We have not heard many voices in this debate from the people working at the local level. As a child advocate working in this environment, I want to raise my voice with a view from the trenches.

I do my best to be proactive; I am uncomfortable taking reactionary positions. Therefore, even when I oppose something, I do it in a way designed to find a positive alternative to whatever I am opposing. We do not know what the final federal legislation on financing programs for children and families will be. But for purposes of this publication, we are being asked to respond to proposed social welfare reforms advanced by a radical conservative Republican majority of the House of Representatives. For many years, I have been an advocate for reforming the current social welfare system from top to bottom. I view the current political climate as both a threat to and an opportunity for meaningful reform of the systems that provide for the needs of children and families. What are some of the major issues embedded in the state having financial and administrative control over what were once federal programs to aid children and families? My comments will be designed to address that question through broad policy issues. I will not be forced into a reactionary response to proposals from the House of Representatives that will be modified by the Senate

and further modified by the process of reconciling the differences between the final bills passed by the two houses of Congress.

Administrative Reform and Flexibility

The current situation is a good illustration of the axiom, "Be careful what you ask for, because you might get it." Liberal child and family advocates have been complaining for years about the categorical nature of federal programs and how this has caused a fragmented service delivery system. I have attended many conferences and worked with groups where the main agenda was blaming the "Feds" for getting in the way of progress. The contention was that people at the state and local levels had more hands-on experience than decisionmakers in Washington and had better solutions to some of the intractable social problems in our communities. Overnight, on November 9, 1994, the bad guys became the good guys in a scenario reminiscent of George Orwell's novel, 1984. The very people who had led the most strident attacks on the "Feds" were talking about how we had to protect the current categorical system.

An intimate knowledge of the history of social welfare policy in the United States helps me to place certain trends and actions in perspective. We need to recognize that there is a pattern of periodicity in becoming dissatisfied with the organizational pattern of social welfare services at the national and state levels. This helps us to understand that we are presently in one of those periods. We go through cycles of expansion and contraction. This phenomenon is reflected in the centralization (consolidation) and decentralization (specialization) of the social welfare organizational structures at the national and state levels. The past forty years saw a tremendous expansion of social programs at the national level.

According to the Advisory Commission on Intergovernmental Relations, by 1991 there were 557 grant programs at the federal level. There are currently 157 job training programs; 71 social services programs; 93 child and youth programs; and hundreds of nutritional, housing, and health programs. The expressed purpose of the block grant system is to identify the many categorical programs that address parts of a common problem and combine them. The intention is to allow for a more comprehensive and integrated approach to solving the problems. If this is indeed the purpose of block grants, then I am all for it. It is time for consolidation. We know that in the future, for reasons that will be sound at the time, we will enter a new cycle of decentralization.

The great fear among many of my liberal colleagues about moving to block grants is that there will be a loss of power to some of their special interest groups and that funding levels will be cut below what is adequate to provide for the needs of children and families. The first reason for concern does not trouble me as much as the second. For too long, we have been moving in the direction of a stronger central government that is frequently more responsive to strong special-interest group lobbies. Local interests that did not mirror the agenda of these national groups did not appear on the priority list. The big groups had the ear of Congress because of their ability to lobby and make campaign contributions.

I entered adulthood in the 1960s when a popular slogan was "Power to the People." I believed it then and I believe it now. We need to reassert our belief that the decisionmaking

process should be in the hands of the people who are as close to the problems as possible. The business community has discovered this idea and is now utilizing it to reinvent corporations. This democratic idea is at the heart of the reinventing government movement. Block grants can be a tool to move decisionmaking and accountability for solutions to social problems out of Washington and to states and localities. It is our challenge at the local level to ensure that the block grant process helps and does not hurt to our communities.

I am impressed by the proposed structure of the Youth Development Community (YDC) Block Grant (S. 673) introduced by Senator Nancy Kassebaum (R-KS). This proposal would allocate money directly to localities, not statehouses. It would mandate the creation of local boards appointed jointly by a county's chief executive officer and a representative of the youth development community. This board would control the funds. There are presently local entities that meet such a structural design. An example of how this could work is the collaborative governance structure we have developed in Savannah, Georgia.

The Chatham-Savannah Youth Futures Authority was created in 1988 by the Georgia General Assembly. Its function is to develop and adopt, and from time to time amend, a comprehensive plan for public and private agencies to deal effectively with the problems of youth in Savannah-Chatham County. It is empowered to coordinate, evaluate, and provide administrative services and assistance in implementing and carrying out the comprehensive plan. Also, it is empowered to contract with public and private agencies to provide programs and services for youth in order to carry out the provisions of the plan. The Youth Futures Authority serves as the governance structure for the Annie E. Casey Foundation's New Futures Initiative in Savannah.

Local collaboratives like the Youth Futures Authority could be designated the official entities to receive and control the YDC Block Grant and any other block grants to serve the needs of children and families. Georgia, through its Initiative for Children and Families and Family Connections project, is organizing collaboratives in more than 50 communities across the state to coordinate and integrate services to children and families. The 1995 Georgia General Assembly passed legislation creating a state-level Children and Families Policy Council to advise the governor on children and family policy issues. All of this work was in progress prior to the creation of the Republican Contract With America. There was a clear recognition in Georgia, and many other states, that more decision-making about children and family issues had to be delegated to the local level.

Two years, ago a delegation of local agency directors from Chatham County's public and nonprofit sectors met with Georgia's major state department directors to initiate a dialogue about developing a block grant program. We are developing an integrated pro-family service delivery system in Chatham County that needs a new system of working with state government. A pro-family system must be comprehensive; preventive; family centered and family driven; integrated; developmental; flexible; sensitive to race, culture, gender, and individuals with disabilities; and outcomes oriented.

We learned valuable lessons about systems change, integrated services, and refinancing from the Annie E. Casey New Futures Initiative and the Pew Charitable Trusts Children's Initiative planning process. These lessons are the basis for our requests for change in our

relationship with the state. We asked the state to work with us to devise a way for local communities to develop a set of goals directed at attacking the common problems of children and families in Georgia.

The collaborative members want the funds currently being used to address these problems categorically combined into a pool, without any reductions. This pool of funds would be made available to communities to finance locally developed and administered plans. These plans would have to address common goals, be outcome-based for purposes of evaluation and accountability, and be approved by the state. Evidence of broad-based collaboration would be required. Also, we requested a "state case manager" to serve as a broker between the collaborative and the various state agencies. Communities need help to negotiate the morass of programs at the state level. A person from the Georgia Department of Human Resources was appointed to play that role and is a member of the Youth Futures Authority. Savannah-Chatham County is well-positioned to make a block grant system work for children and families. Perhaps this is why our comfort level about "the change" is higher than in many other communities.

Some communities may not yet have an established and credible collaborative governance structure like the Youth Futures Authority. However, most of the current requests for proposals coming from the federal and state levels require collaborative planning and program implementation. Local communities need to require collaboration as the approved way to plan and implement services instead of using the traditional ad hoc arrangement to qualify for federal and state funds. Some type of collaborative governance structure needs to be organized in every community. Technical assistance and training will be required by many communities to build the necessary capacity to function well. Funds must be available for this capacity building.

Eligibility Criteria

A key issue in the block grant debate is eligibility. Will the safety net of entitlements be maintained or abolished? The answer to this question is extremely important in an economy that suffers from periodic recessions. What would happen in a state that experienced a natural disaster after it had expended all its block grant funds to handle homelessness and housing? This is where the proposal for a "rainy day" fund for unforeseen crises makes sense. States could draw on this money when the need for services exceeds block grant funding. Currently, states can apply to the federal government for emergency relief funds when natural disasters occur. This ability to get emergency assistance, with justification, should be maintained.

One of the big debates is over the requirements of the Personal Responsibility Act. This bill would combine dozens of programs into the Cash Assistance Block Grant, the Child Protection Block Grant, and the Child Care and Nutrition Block Grant. The Food Stamp Program would be reformed but would not become a block grant. The Youth Futures Authority wants to create a system of "presumptive eligibility." Immediate needs must be met. Families should not have to wait for services while a long eligibility process takes place.

Contrary to public perception, most people seeking assistance are not cheats or crooks. Most of the money spent on verifying eligibility should be redirected to provide direct services for children and families. Penalties exist to punish those who cheat. Make it widely known that all who violate the law will be prosecuted, and then enforce the law.

We are field testing, along with Atlanta, a "Common Eligibility Form" that substantially reduces the need for consumers to answer the same questions at four or five different agencies. Information for Aid to Families with Dependent Children, Medicaid, food stamps, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), Supplemental Security Income, and public housing can be applied for on one form. We hope to add more programs in the future.

Financing Strategies

Most of the general public supports balancing the federal budget. They just do not want cuts in their favorite program or a raise in their taxes. This is where the saying "No pain, no gain" has real meaning. It is a fact that the federal budget cannot be balanced without making spending cuts. I do not know what is so magical about balancing the federal budget in seven years. A glide path that would balance the budget in ten years would reduce the pain of the severe budget cuts that balancing the budget in seven years will cause. The challenge is to establish a set of funding priorities that reflects a pro-family social policy.

We need a national public policy for the healthy development of children and families. Funding activities and services that produce and support healthy and productive children and families should be the goal. Funding priorities should reflect the more effective and cost-efficient prevention and early intervention strategies.

The funding proposal of the Kassebaum bill has merit. It would distribute funds based on a formula that takes into account the size of the local youth population (ages 6 to 18); the proportion of the youth population living below the poverty line; and the record of increases in the rate of serious juvenile crime. This type of formula, looking at population and need, could be used for other types of block grants such as education and job training. Savannah-Chatham County and its Youth Futures Authority want to develop one comprehensive plan to address children and family needs and not worry about meeting the funding eligibility requirements for the twenty-three separate programs the Kassebaum bill would combine. The Youth Futures Authority would then be held accountable for producing the outcomes it agreed to achieve.

Proposed Funding Levels

After reconfiguring the administrative structures and eliminating unnecessary administrative costs, federal and state governments should be required to maintain their current funding levels for all safety net programs. Doing so would minimize the negative financial impact on local communities. It would also ensure that we would be able to continue at least the present level of services to those in need. A successful shift in emphasis from expensive crisis intervention and remedial programs to less expensive prevention and early intervention initiatives would result in savings that could offset any freeze in appropriations. The shift in

expenditures will take time, however. It will be necessary to have two systems for some period. Gradually, the heavy appropriations to crisis-focused services would be transferred to prevention and early intervention services.

Accountability

Block grants should clearly specify the condition to be addressed and the measurable outcomes desired. Positive changes in the conditions affecting children and families should be the measure of success or failure. The local planning process should require that attention be devoted to identifying the risk factors that correlate with unsuccessful outcomes. Objectives, strategies, and programs should be evaluated on how well they address these risk factors. Funds can then be appropriated to carry out a program of work designed to implement the plan. Future funding should depend on the successful achievement of the goals.

Something about accountability that has troubled me for the past few years is a growing feeling that the government is some uncontrollable monster that is going to devour us all. There is almost a sense of helplessness in discussions about government effectiveness, efficiency, and equity. My civics lessons taught me that we are supposed to have a government for the people and by the people. I have always believed that, even as I grew up in the Jim Crow system of the South. I said earlier that I believe in "Power to the People." If we do not have it, then we have allowed it to be taken from us. We must let Congress, state legislatures, and local government know that we want children and families protected. We want a national pro-family policy that says we will make sure that needed services are available for all citizens from the womb to the tomb.

We want a continuum of care at the local level that provides prevention, early intervention, crisis intervention, and support and maintenance services. We must make clear that we will hold all three levels of government accountable for passing laws and developing policies that reflect a pro-family stance. Our contributions to charitable organizations should reflect the same stance. Then we must organize and do the work to be in a position to make policy makers who do not keep our covenant with children and families find a new line of work.

The present Congress believes that it was given some type of mandate from the voters to carry out its Contract with America. Did it confuse the desire for streamlined and locally controlled programs with harsh, hurtful budget cuts? Elected officials, our representatives, will be more accountable when they know we are watching what they do and will move against them when they do not do what we want them to do. When this happens, everything else will change in our direction.

General Comments

All things are relative. I am generally viewed in the political continuum as left of center. There are others who say I am becoming more conservative as I grow older. This makes me very happy, because I do not believe that any pragmatic person can be labeled with the current ideological and political system of labeling. I have an increasing feeling of alienation

from my liberal colleagues at the national level. This is because they will not take the time from posturing defensively to develop a new agenda for addressing the issues or concerns of the truly needy in this country. However, I cannot completely identify with the neo-conservatives either. I believe that there is an important role for the federal government in providing a national safety net for the "ill-fed, ill-clothed, and ill-housed." That role is to support local efforts to get help to those in need. I am feeling alienated from the irrelevant ideological and rhetorical warfare between the Democrats and Republicans. People like myself working at the local level are tired of seeing the destruction of children and families while Democrats and Republicans condemn each other on television.

Everything Must Change

We are at one of those critical junctions in history where we face a period of fundamental change. Change can produce a feeling of crisis for those who feel they will be negatively affected by the change. The Republican "revolution" has produced a situation where we all, regardless of political label, have the obligation to rationally reflect on the dangers and the hidden opportunities that are present in all situations of change. For those of us who view the current political situation as a threat, let us take the hidden opportunity that every crisis presents us. We must get our act together and develop a long term plan to finally develop a true pro-family public policy for our country. We must organize with commitment and zeal for the protracted struggle that will be necessary to see that this policy becomes the law of the land.

BLOCK GRANTS: CHALLENGES AND OPPORTUNITIES

Gerald H. Miller

A broad national consensus exists that the current welfare system needs an overhaul. With Congress' resolve to balance the federal budget and return responsibilities for many welfare programs to states through block grants, state human service administrators and providers will be faced with enormous challenges to redesign services and do so within a fixed budget. Block grants will allow states to coordinate and simplify the service delivery system to better fit the needs of families and children.

Administrative Reform and Flexibility

Under the current system, states must deal with more than 300 separate programs related to welfare, food stamps, housing, and job training. These programs are administered by different agencies at the federal level and are subject to extensive, complicated rules and regulations, which at times conflict across program lines. My workers spend only 20 percent of their time dealing directly with clients; they spend the rest of their time dealing with the myriad of rules and regulations imposed by the federal welfare bureaucracy.

Block grants offer states an opportunity to develop programs and policies based on local need rather than a one-size-fits-all federal perspective. It has been well documented that states are in a better position than the federal government to effect true welfare reform. According to a Kaiser/Harvard Program on the Public Health/Social Policy Survey released in January 1995, 52 percent of those polled thought the best approach to welfare reform is experimentation at the state level. Only 29 percent thought reforms should be implemented at the national level. And the Citizens for a Sound Economy Foundation recently released an even more impressive survey in which 82 percent of the respondents said state and local governments are better able to administer welfare programs than the federal government. A mere 13 percent thought Washington could do better.

Michigan implemented its innovative welfare reform initiative, To Strengthen Michigan Families, in October 1992. The administrative process for securing the waivers necessary to implement our welfare reforms was burdensome, bureaucratic, and limiting. We believe that the proposed legislation will allow states to be creative and responsive to local factors when designing their programs. In Michigan, we have formed departmental work groups as well as advisory groups representing many organizations and interests throughout the state for each of the block grants. These groups have been asked to identify barriers to achieving broad outcomes for serving our clients. The advice received from these groups will serve as the blueprint for furtherance of Michigan's welfare reform efforts and will be truly representative of the entire state.

By eliminating the current complex and burdensome requirements, we can effect greater coordination and consistency among programs. This change will not only reduce the amount of time workers spend on paperwork, increasing the amount of time available to serve clients

directly, but through streamlining and simplification will make welfare programs more understandable to those who need to use them.

In spite of a proposed initial allotment that is smaller than current funding levels, and restricted growth in future years, we believe that the elimination of the current federal regulations, which will allow increased flexibility, will actually save us substantial amounts of money in the long run.

Eligibility Criteria

Removing most of the federal requirements from the cash assistance and food stamp programs need not mean very much at all to children and families. States could, with a few exceptions, operate their programs the same as currently. The Personal Responsibility Act allows states to do away with many of the requirements that make these programs so complicated to administer now.

In Michigan, we plan to make sweeping changes to our cash assistance programs to simplify and integrate them. We have asked an outside advisory group made up of advocates, state legislators, community service representatives, and others to convene focus groups to identify barriers to achieving six desired outcomes:

- Michigan families will be able to support their children.
- Michigan families will have a reduced need for public assistance.
- Michigan families will achieve job readiness or obtain employment through participation in employment and training programs.
- Michigan families with children will experience a reduction in poverty.
- Michigan families will experience a reduction in out-of-wedlock births.
- Michigan families will participate in productive self-improvement activities for at least 20 hours each week.

The feedback from these focus groups will be reviewed by both the advisory group and a Michigan Department of Social Service committee to design new policies and procedures that overcome the barriers. The resulting proposal will go to Governor Engler this summer, with implementation to be phased in starting as early as October.

Some of the areas we are particularly interested in simplifying and streamlining include the following:

- Asset determination: What is counted, how is it counted, when is it counted?
- Who can be included in eligible groups; and how can we better assist grandparents who are raising their grandchildren?
- Incentives to seek and maintain employment, such as not counting any income earned in the first few months of a new job;
- Integrating the eligibility determination and benefit levels of cash assistance groups who also get food stamp benefits; and
- Cashing out food stamp benefits for employed cash-assistance clients.

We are also committed to finding ways to remove the barrier of losing health care coverage when working parents start to earn enough income to free themselves from their dependence on state assistance.

We are not using this opportunity to withdraw the state's commitment to assisting Michigan residents in need. In fact, if the House version of the Personal Responsibility Act becomes law, we expect to use state funds to maintain coverage for several of the groups specifically denied federal assistance, such as children born to women already on assistance, and teen parents and their children. This means that we do not expect any state savings in the short run.

Overall, we expect a simpler, more rational public assistance system in Michigan with block grants. Our workers will be freed from a great deal of paperwork and able to spend more time working with clients to help overcome the obstacles to self-sufficiency.

Financing Strategies

The shift from entitlement to block grant status expands and improves financial management strategies, program and service options, and redesign opportunities for the states.

The assurance of predictable funding for five years, without federally mandated new programs or new program groups, will provide stability and greatly strengthen state planning and program design efforts. The availability of financial management tools such as transferability, carry-forward, and contingency funds effectively increases resources in priority areas or for future program needs. The consolidation of programs and the effective reduction in administrative and certain mandated costs will help to maximize available resources, thus enabling states to serve families and children better.

With consolidation of multiple programs, states can eliminate duplicate services and provide services more efficiently. Furthermore, states will have more flexibility to target diverse, heterogeneous client populations, to tailor programs for local needs, and to simplify program eligibility requirements. There also will be greater potential for co-location or one-stop service delivery. From the clients' perspective service delivery can be improved.

Broad national goals and the emphasis on outcomes provide a strong incentive and support system for program redesign at the state level. States can build on the experience of other states, the federal government, or the private sector. There are significant opportunities and options not only in welfare reform but in related areas such as performance-based governance, management systems, and the application of information technologies. In addition, there are enhanced opportunities for intra-/intergovernmental and public-private partnerships.

Proposed Funding Levels

All interest groups, organizations, and states involved in the welfare reform debate recognize the weaknesses and, in some regards, failures of the current system. The number of children in out-of-home placements almost doubled from 1982 to 1992, and families who receive cash and food assistance are confronted with a dizzying array of rules and regulations that inhibit working and personal responsibility. In the past decade, most of the innovations and successes in serving children and families have come from states. Building upon those successes, block grants will give the needed flexibility to states, with certainty of funding, to enhance their ability to serve children and families more effectively.

The level of funding in each of the block grants is based on past individual state expenditures. This is an equitable formula that does not punish states that have already achieved savings as a result of their own welfare reform programs. For the Cash Assistance Block Grant and the Child Protection Block Grant, funding is an entitlement for the state. In addition to entitlement funding, increases would occur in several of the block grants:

- Child Protection Block Grant increases from $4.444 billion in FY1996 to $5.585 billion in FY2000;
- Family Nutrition Block Grant increases from $4.525 billion in FY1996 to $5.227 billion in FY2000; and
- School-Based Nutrition Block Grant increases from $6.681 billion in FY1996 to $7.849 billion in FY2000.

With certainty of funding and more flexibility, states will be able to redesign existing programs and serve families more appropriately. For example, the current child welfare programs are heavily biased in favor of removing children from their homes. States earn Federal Foster Care (IV-E) funds by removing children from their homes; only limited federal funds are available to serve children in their own homes.

In Michigan, we are using mostly state funds to provide in-home services *to remove the risk instead of removing the child.* Our Families First program has served more than 31,000 children in their homes, more than 80 percent of whom are still with their families one year later. The Child Protection Block Grant will give Michigan even greater flexibility to focus resources on family services that are better for families and children.

Another example is the conflict between current Aid to Families with Dependent Children (AFDC) and food stamp policies. Requirements for families to participate in work and training programs are different for these programs, resulting in *increases* in food stamp benefits for some families who refuse to participate. With the cash assistance block grant in H.R. 4 and a Food Stamp Block Grant that it is hoped the Senate will approve, states will have a greater capacity to simplify and coordinate programs. In the process, clear expectations will be established about the responsibilities of families that receive assistance from the state.

STRINGING ALONG: THE 'NO STRINGS' APPROACH TO WELFARE REFORM WOULD NOT BE LIKELY TO RESULT IN REFORM WORTHY OF THE NAME

Robert Rector

A new theme, federalism, has emerged in the welfare-reform debate, taking its place alongside the topics of work and illegitimacy. Speaking for most of his fellow governors, Michigan's John Engler told Congress, "It's time to give the states a chance. Certainly we can do better...States must have the freedom, with no strings attached, to implement change."

John Engler is a solid conservative with a record of moderate accomplishment on welfare reform. Unfortunately, what he was proposing as a national welfare policy has nothing to do with federalism, and his "no strings" approach represents a step backward compared to reform alternatives such as those contained in the Contract with America.

To understand the muddled relationship between state governments and welfare reform we must begin by recognizing that the current U.S. welfare system has been overwhelmingly created and funded by Washington, D.C. Programs such as Aid to Families with Dependent Children (AFDC), Food Stamps, and Medicaid are well known, but they are only the tip of the welfare iceberg. There are more than eighty major welfare programs in each state providing cash, food, housing, and social services to low-income Americans. Nearly all these programs emanate from Washington. Total welfare spending in 1994 reached $350 billion, of which a full 74 percent came from the Federal Government. Moreover, the states' share of spending is largely restricted to one program, Medicaid. If Medicaid is excluded from the count, the Federal Government's share rises to nearly 85 per cent.

Governor Engler's call to "let the states do it" with its emphasis on federalism and decentralized power, has a strong appeal to conservatives. But Engler's proposal was greeted with dismay by many conservatives in the House and Senate. This is because Engler was proposing to get rid of not only the mountains of bizarre liberal welfare regulations but also the last handful of conservative national requirements in welfare, particularly those involving work, paternity, and illegitimacy.

Thus the question of what is conservative in welfare reform has become confused. Three distinct approaches have emerged.

1. True Federalism. True federalism has received little public discussion, but it is very popular among the House freshmen. Representative Steve Cabot (R-OH) is working on a bill that would abolish federal means-tested programs and return the savings, not to the state governments, but directly to the taxpayers. The bill would provide an annual tax rebate of roughly $3,400 each year for each household paying federal income tax. Income-tax withholding would be adjusted so that the "rebated" funds remained in the taxpayers' pockets instead of coming to Washington. Each state government could then take whatever portion of the tax rebate it deemed necessary to run welfare in its state. Governors thus would be directly accountable to their own taxpayers for the costs of welfare.

2. No-Strings Block Grants. This approach has been pushed by Governor Engler and by Governor George Allen of Virginia (although Engler, to his credit, has spoken favorably of true federalism as well). Governors would be given carte blanche to run welfare, but the funding of the welfare system would remain primarily federal. Washington would buy the car, gas, and tires, and the governors would drive wherever they wanted. It is easy to see why governors would be attracted to this scheme, which should be called "super revenue sharing" rather than federalism. Among federal legislators, Senator Bob Packwood (R-OR) seems inclined toward this approach.

3. Block Grants with Conservative Principles. This policy is best represented by the legislation introduced by two conservatives, Representative Jim Talent (R-MO) and Senator Lauch Faircloth (R-NC). Talent and Faircloth are among the strongest proponents of state flexibility--their bill abolishes over 65 separate federal welfare programs and folds the funds into a single huge block grant. The bill thus wipes out the forty-foot pile of federal regulations on welfare. In place of this mound of red tape, Talent and Faircloth would establish a few precise, conservative principles on work, illegitimacy, and paternity. Says Talent, "We want great increases in state flexibility, but we also want to ensure that federal funds are used to promote work, not dependence, and marriage, not illegitimacy."

Talent and Faircloth are eager to get rid of about 98 percent of federal regulations on welfare. Most governors agree, but demand (at least publicly) that the remaining 2 percent of conservative federal requirements be jettisoned as well. Alone among the governors, Wisconsin's Tommy Thompson has argued for the general approach of greater flexibility coupled with firm national standards.

Welfare for Governors

The governors' position is simple: they want Washington to raise the money for welfare and let them spend it. But a fundamental rule is that people spend their own money wisely and other people's money foolishly. If there is one thing more profligate than a politician spending taxpayer funds, it is one group of politicians spending funds raised by a separate group of politicians. A minute's reflection should reveal that this sort of revenue sharing is not federalism and is not conservative. Indeed it is a blueprint for fiscal irresponsibility: it eventually turns even the best governors into welfare panhandlers, hustling for larger federal handouts.

Still, "no strings" revenue sharing is popular. Interest is driven by conservative folklore that paints state governments as feisty dynamos of reform battling the sclerotic heart of darkness inside the beltway. But, while liberal Washington has been a gargantuan obstacle to welfare reform, an even bigger roadblock has been the governors and state legislatures. During the 1988 welfare reforms, for example, work requirements were kept near zero largely because of pressure from governors.

A little-known fact is that the bulk of the nation's welfare bureaucracy resides not in Washington but in the state capitals. From Tallahassee to Juneau, these welfare bureaucracies are voluminous, left wing, and autonomous. Few governors do much to govern their bureaucracies. Typically they elevate a career bureaucrat to run the department or import a

political appointee who knows little about welfare. Although most governors are Republicans, few welfare directors are conservatives.

Most Republican governors are well equipped with anecdotes about how Washington regulation deliberately blocks reforms. They are right. But few realize that for every conservative idea blocked by Beltway red tape there are two quietly throttled in the bowels of their own welfare establishments.

A few weeks ago, while testifying on welfare before a state legislative committee, I stumbled across a recently released "blueprint" for welfare reform produced by the administration of Carroll Campbell, the Republican former governor of South Carolina. The document looked like something plagiarized from the left-wing Children's Defense Fund. This would be amusing if it weren't so typical of what passed for "reform" at the state level.

The need for a federal impetus to reform is widely recognized by conservative welfare experts. Take, for example, making welfare recipients work--a simple idea supported by about 90 percent of the public. Larry Mead is the nation's leading academic author on workfare and a relentless advocate of making welfare recipients work. Mead argues that most of the impetus toward work has come from the federal level; if federal standards were dropped, workfare would simply come to a halt in many states. Jason Turner, the tough-as-nails administrator of the nation's most successful workfare program, under Governor Thompson of Wisconsin, agrees: "The bureaucracies in most states are wedded to the status quo," he says. "Without a strong push from the federal level, change won't occur."

Then there is Chuck Hobbs. As White House welfare guru under Ronald Reagan, Hobbs spent years promising state welfare waivers and encouraging state experimentation. No one in the United States has done more to promote the notion of the states as "laboratories of reform." Hobbs currently runs a consulting firm promoting workfare and helping states obtain federal waivers for experiments. But he sadly reports that nearly all waiver requests that have floated up from the states over the years are liberal. Without conservative national requirements, he says, there will be little change. Hobbs advocates a "pincer movement" in which conservative reforms are pushed at the federal and state levels simultaneously. "Bureaucratic inertia is tremendous," he says. "Conservatives at the federal and state levels will have to unite to overcome it."

A bellwether is the *Washington Post*, which has recently begun to editorialize against "prescriptive" Washington solutions and in favor of greater state flexibility. The *Post's* timely defection to the ranks of the federalists reflects its understanding that, at present, the conservative tide of welfare reform is strongest in Washington; the status quo is best served by letting the states "do their own thing."

The "no strings" argument has always been paradoxical. The governors contend that with federal red tape eased they will zip toward reform at 100 mph, and yet they object to a federal minimum speed requirement of 10 mph. One of the ironies of the "no strings" approach is that it split the conservative governors from their best potential allies in Congress. While the National Governors' Association was busy tussling with conservatives over abolishing federal work standards, moderates moved quietly to limit state flexibility in critical areas--for example, by rescinding the Contract pledge to block-grant Food Stamps.

Thus the net effect of "no strings" so far has been to shift Republican legislation to the left. Conservative national standards have been weakened, while the governors are getting less flexibility they need.

The push for "no strings" may be fading; the zenith was probably reached a few weeks ago, when House Republicans on the Ways and Means Committee dutifully stripped work requirements out of their welfare bill on behalf of "states' rights" and took a full day of pounding from liberals for being weak on work. Since then Governors Thompson, Weld, and Engler have all agreed to national work standards.

If the governors are sincere about wanting to run welfare on their own, then they should earnestly push for true federalism *a la* Congressman Chabot. As long as they are in the business of running welfare mainly with federal funds, they should (and probably will) join with conservatives in Washington in seeking greater state flexibility within a solid framework of conservative principles.

THE BLOCKBUSTER INSIDE THE REPUBLICANS' BUDGET: IN THE RUSH TO FISCAL DEVOLUTION, HAS ANYONE FIGURED OUT HOW TO DIVVY UP THE CASH?

Robert Reischauer

"Politically daring," said The Washington Post's lead story. "Historic," said the New York Times. They were referring, of course, to the plan unveiled last week by Senate Budget Committee Chairman Pete Domenici (R-NM)--followed by an equally ambitious House Budget Plan--to balance the federal budget by 2002. And, indeed, both committees deserve considerable credit for doing what few have dared before--actually laying out with some specificity the benefit and service cuts required to do the job.

Now, though, Congress has to complete the work the committees have only begun: figuring out exactly how the program cuts would be carried out. Take, for one key example, the proposals to change the way the federal government pays for such means-tested entitlement programs as Aid to Families with Dependent Children (AFDC) and Medicaid. Instead of providing aid through the current open ended matching grants that pay a share of the costs each state incurs for welfare, the federal government would give block grants--fixed amounts of money--to each state for these purposes.

From both Washington's and the states' perspectives such a change has first-glance appeal. Block grants would limit the federal government's financial exposure--a relief after a period of rapid and unpredictable growth in welfare-related spending. The budget plans, in fact, anticipate about $200 billion in savings over the next seven years from the switch to block grants. To the states, block grants hold out the promise of reduced federal regulation and a chance to use Washington's money to pay for state-designed programs that may be better tailored to local values and conditions. Sounds like a great idea--until you hit the details.

Consider, for starters, a seemingly simple question: "How would the block grant money be distributed among the states?" "Obvious," you may say. "Divvy it up by need"--that is, in proportion to the number of low-income residents in each state. Further thought might suggest paring the allocations to wealthier states somewhat on the grounds that they can afford to chip in more of their own funds than poorer states, but basically the plan is straightforward.

Straightforward until you look at the way that federal aid is currently shared among the states. In fact, if block grants were allocated according to need, there would be massive redistributions of federal aid. For example, if federal AFDC monies were allocated according to the number of poor children in each state, Alaska, Hawaii, Massachusetts, Rhode Island, Vermont, and Washington would see their federal payments roughly halved, while Alabama, Arkansas, Louisiana, Mississippi, South Carolina, and Texas would more than double their take.

Similarly, if Medicaid block grants were allocated according to the number of residents with incomes under 150 percent of the poverty threshold, the current flow of funds to New

York would be cut in half while federal aid for this purpose to Virginia, Florida and Idaho would increase by at least three-fifths.

Okay, so Congress is not likely to agree on such a massive upheaval to state budgets. Why not just allocate block grants along the lines of the existing federal matching grant structure? But this means we would provide the nation's poorest state, Mississippi, with a block grant worth $302 per poor child (which is what its 1994 federal AFDC grant was) while we distribute to each poor child in Connecticut, the nations richest state, some $1,566. Sound fair?

We accept this inequitable distribution under the existing matching grant structure because it's the result of each state's decision about the amount of its own resources it wants to devote to welfare. Mississippi could increase its federal payment if it chose to spend more of its own money, that is, if it raised its AFDC benefit levels five-fold to match Connecticut's.

But under a block grant approach, where a state's own effort on behalf of the poor would not affect its federal aid, such an allocation would be indefensible. Congress would find itself faced with a choice of taking money away from some large, powerful states to increase the allocations to poorer states or increasing overall funding. The former would be a political nightmare; the latter would undermine the budgetary rationale for block grants.

Funding formulas are far from the only killer question about block grants. Think for a moment what would likely happen to state spending on the vulnerable populations they are meant to serve. Most likely, it would drop like a rock.

First, states would no longer be encouraged by generous federal matching rates to devote their own resources to low-income residents. Currently, the federal government rewards rich states by matching with a federal dollar every dollar they spend on AFDC and Medicaid; poor states such as Alabama and Arkansas receive roughly $3 from Washington for every state dollar they spend.

Without this inducement, state welfare spending, which amounted to $68 billion or 43 percent of the total spent on AFDC and Medicaid in 1993, will be squeezed out by more popular programs such as school aid and criminal justice. Fearful that they will become a Mecca for the poor if their welfare programs are more generous than those of their neighbors, states will compete in their stinginess. Future Congresses also will be tempted to cut federal allocations as they seek ways to reduce the deficit--far easier to do when the cuts play out through 51 separate state programs and the repercussions on affected individuals are less obvious.

But should we care if spending on the poor is reduced? After all, federal means-tested outlays have almost tripled over the past decade; maybe some belt tightening is in order. Surprisingly, the explosion of welfare costs does not mean that the states have been lavishing benefits on the poor. Health care for poor elderly and disabled individuals accounts for much of the increase, while AFDC and food stamp benefits to welfare families have, on average, declined. As a result, means-tested cash, food and housing benefits are considerably less effective in lifting people out of poverty than they were a decade ago.

The unfortunate reality is that, as the economy has changed and divorce and out-of-wedlock births have soared, the poor population has grown--by 25 percent between 1988 and

1993--and the poor are poorer than they used to be. Scaling back resources for this group is not going to make it shrink. It is only going to increase hardship, homelessness and suffering.

And what would happen to a state if the need for welfare increased unexpectedly because of a national or localized recession, a natural catastrophe, immigration or other demographic factors? After all, over the last four years, AFDC caseloads in 14 states expanded by more than one-quarter, while those in 12 states contracted. The answer is that the state would be left holding the bag--just when its own resources were under greatest strain.

Finally one may ask whether, when all is said and done, block grants will really give states greater flexibility and freedom from federal regulation over the long run. The answer is "Probably not." String-free federal aid flies in the face of the Golden Rule of Fiscal Federalism: "He who provides the gold sets the rules."

Over time, federal intrusiveness will grow, driven by the inevitable desire of Washington policymakers to assert federal priorities and to ensure federal funds are not squandered. (See the detailed rules in the House-passed welfare reform bill as evidence that, even at the dawning of the block grant age, it is impossible to keep Congress from playing a major role in program design.) When the inevitable examples of fraud, waste and abuse in the block grant programs hit the headlines, Congress will feel compelled to impose ever more detailed regulations and controls. In time, the states could find themselves with most of the red tape they hoped to shed and without the generosity provided by the open-ended matching grant structure.

Block grants could well end up making an admittedly bad system even worse. This, however, should not be cause to defend the status quo. Several reforms could give the states more programmatic leeway and the federal government more budgetary certainty. The waiver processes, which have already given states flexibility to experiment with ways to save Medicaid and welfare dollars, should be expanded and encouraged. The underbrush of minor federal welfare regulations should be cleared away. Welfare budgets should be established to keep total spending within acceptable bounds while allowing these budgets to vary modestly with economic and demographic conditions. And finally, retaining the matching grant structure would preserve incentives for state contributions, but matching rates could be adjusted periodically to keep federal spending within limits. True, these changes won't produce massive, near-painless savings--but then neither will block grants.

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REAL REFORM OR A SHIFT OF RESPONSIBILITIES?

Isabel V. Sawhill and Demetra Smith Nightingale

Congress is now debating a welfare reform proposal that would provide a block grant or lump sum to the states to serve needy families with children. The proposal is estimated to save $7.6 billion over the next five years because it would freeze federal spending at the 1994 level rather than allowing it to rise with increases in the projected need for assistance. The proposal's sponsors argue that the flexibility provided to states will enable them to serve needy families more effectively, but closer analysis suggests that poor families themselves will bear at least some, and perhaps all, of the welfare cutback. Moreover, implicit in the plan is an enormous transfer of responsibility to state governments with little assurance that federal monies will accomplish federal purposes.

The cost of administering the AFDC program at the state and local level is about $3 billion annually. Assuming that these expenses could be cut in half, thereby saving $1.5 billion a year, or $7.5 billion over five years, no diminution in basic benefits would be required. All of the federal savings would be offset by lower administrative costs at the state and local level. How realistic is it to assume this level of administrative savings? On the one hand, we know that administrative costs per family served vary widely from state to state. For example, if every state spent as little per family as Texas, West Virginia, or Maine rather than the much higher amounts spent by New York, New Jersey, or the District of Columbia, such savings would be easily achievable. However, the higher costs in these last-named jurisdictions probably reflect their harder-to-serve caseloads, higher wages for civil servants, more intense efforts to move people toward self-sufficiency or to monitor fraud, poorer management, or other factors that have nothing to do with federal requirements per se. Granted that administrators and caseworkers at the local level spend considerable time worrying about complying with federal requirements and audits, it is still not clear what level of savings would ensue from dropping many of these requirements, and whether such savings are consistent with maintaining appropriate controls over the use of taxpayer dollars. A good guess, however, is that administrative savings will fill little of the gap created by reduced federal funding.

To fill the remaining gap states might raise taxes or cut other spending to make up for the loss of federal dollars. However, it's hard to imagine a Governor who is going to argue that state taxes should be raised or other expenditures trimmed to finance a program as unpopular as AFDC. Private charities might fill some of the breach although careful studies of the Reagan budget cuts found that philanthropy filled little of the gap left by cutbacks in programs for the poor in the early 1980s. Much more likely is that states will simply eliminate or lower benefits and pass the buck to local governments to decide whether and how to help poor families denied federal and state assistance. The burden will be especially high in major metropolitan areas with large concentrations of poor families and few resources with which to serve them.

Another possibility is that welfare recipients, faced with a denial of benefits for children born to those under 18 or those who have been on the rolls for five years, would find other sources of support. Some will undoubtedly take jobs, double up with relatives, think twice about having a child, or even marry once they are faced with a cutoff of their benefits. But expecting such adjustments to compensate for the proposed reduction in outlays with no ill effects on poor children may be wishful thinking. Neither scholarly research nor the accumulating evidence from state experiments with the welfare system suggests that there will be major impacts on such behaviors as childbearing, marriage, or work. The burden should be on those who think such impacts are likely to be large to demonstrate their magnitude in one or two communities or states before launching a national experiment with unknown, and possibly harmful, effects on the next generation.

Whatever the impacts on behavior, there is great merit in allowing states the flexibility to tailor programs in ways that match the needs and values of local communities and that empower local leaders and program managers to find more effective approaches. However, as long as federal dollars are involved, there needs to be some way of insuring taxpayers that real results are being achieved. The proposed bill suggests three objectives against which local efforts might be judged: assisting needy families with children, ending the dependence of needy parents on government benefits by promoting work and marriage, and discouraging "illegitimate" births. It also requires that states provide data on such things as the number of families receiving benefits and submit to an audit every second year. But how will Congress know what exactly is being accomplished with the funds provided? Data on poverty, welfare dependency, and the out-of-wedlock birth rate could be collected although only with a lag of a year or two and without much geographic precision. And even were good and timely data available, it would be hard to say whether any change in these indicators was due to a particular state's welfare policy or to general economic and demographic trends. The idea of substituting outcome measures for the detailed process audits that now exist is to be commended, but much more thought needs to be given to how this would work in practice. Moreover, the prescriptive elements in the bill--such as, the requirement that no benefits be paid to the children of unwed mothers under 18--are inconsistent with the whole notion of allowing states the flexibility to achieve the objectives of the bill in whatever way they wish. Some communities will undoubtedly feel, for example, that the prohibition against welfare for minors is more likely to encourage abortion than it is to stop the epidemic of teenage pregnancies and might prefer to provide abstinence counseling, mentoring, and other services to at-risk youth.

One must ask in the end whether this is real welfare reform or simply a shifting of responsibilities without commensurate resources and without sufficient accountability to those paying the bills. The result could be a disservice to both the taxpayers and the one out of every seven children in America who is now dependent on AFDC. No one likes welfare dependency and the current system is widely believed to have failed. But no one should pretend that states can solve a problem that has bedeviled society for many decades and do so with even fewer resources than they now have. The public's pent-up frustration with the current system has everything to do with its perception that too many welfare mothers are

getting something for nothing and ought to be working for their benefits. If it turns out that reform is not about requiring work but rather about saving money and, in the process, denying children essential assistance, a rare and potentially bipartisan opportunity to improve the system will have been lost.

LIFEBOATS VS. SAFETY NETS: WHO RIDES...WHO SWIMS

Gary Stangler

Block grants represent a substantial departure in social policy, moving us from the concept of a safety net to which all in need are entitled to a concept of lifeboats: only so much room (money). Administrative flexibility will allow us to design integrated service systems that center on the individual, not units of service. Family Maintenance Organizations (FMOs) are needed to harness the financial horses to pull together a fragmented system into a seamless system that incentivizes the desired outcomes. The opportunities and challenges ahead are threatened by fiscal and political inertia and the danger that future systems will look much like they do today but with less money.

Administrative Reform and Flexibility

Assuming that the Senate removes the onerous reporting and programmatic requirements from H.R. 4, then states will have extensive flexibility in administering federal block grants. In fact, a dizzying--for some, paralyzing--array of challenges faces state officials and legislators. Block grants may present states with a "teachable moment," but it is only a moment, and must be seized before the inevitable inertia sets in.

This flexibility does not necessarily extend to communities or local governments. In fact, there is fear among the associations of counties and cities that the discretion granted to the state level will not be good news for other local governments. I believe it is important that the devolution of authority not stop at the state level, and that those communities that have or can develop the capacity to handle the devolution should be an important part of a state's program design.

Lessons from business and industry should be instructive in that their experience with devolving authority to plants and teams, for example, can be a guide for the states. The flexibility of block grants should lead the states to devolve more power to communities and neighborhoods, and to smaller and more innovative enterprises, all with standards of excellence set in the context of a public-private alliance. These are the lessons of the private sector of relevance to the states. The critical point in the devolution discussion is that partnership that has guided the quality movement in the private sector.

The opportunities of more flexibility should allow us to move more aggressively to integrate human services, move toward single points of intake, and streamline the procedures that often impede the provision of assistance to families and individuals.

The problems and challenges will be to ensure equity among people needing assistance; to guard against waste, fraud, and abuse with continued diligence; and to deal with the complex interrelationships facing families using comprehensive rather than categorical approaches.

The greatest challenge will be to prevent fiscal and political inertia from setting in. That is, it is entirely possible, perhaps even likely, that the systems funded by block grants will

look very much like the existing systems, with less money. Existing constituencies will exert pressure to maintain their pro rata share of the funding, and the most predictable change will be that there actually will be very little change.

Eligibility

The most exciting opportunity under a more flexible eligibility system will be to allow states to move away from the cliff/valley approach to eligibility. Under today's systems, we are unique in the developed world in that a person's eligibility for a program is dependent upon falling under a certain threshold; however slight the excess over the threshold might be, eligibility is lost. For example, when a person qualifies for medical assistance today, that person receives access to the full range of benefits available under Medicaid. If that person makes a dollar more than our eligibility guidelines allow, that person does not receive fewer health care services; that person receives no health care assistance at all.

Flexible eligibility will also allow the states to provide incentives to work more quickly, and to change their assistance structures to reward part-time work, allowing a smoother transition from dependence to self-sufficiency. Smoothing the slope and moving away from the cliff/valley system of today will greatly assist states in helping people to achieve the desired ends.

The negative side of eligibility flexibility will be a loss of stability. Currently, funding levels are relatively stable from year to year, and the rules of the system are consistent. Under block grants, there will be debates in the fifty state capitols over the design of the eligibility system, and the debate will occur annually. Each year state legislatures and governors will grapple with the level of funding and eligibility systems, since there will no longer be a federal infrastructure.

A related issue is that the ironclad link between the eligibility of an individual and reimbursement to the state is broken. In current practice, reimbursement comes only when an individual becomes a *case*. A mother at risk of abusing or neglecting a child may need services immediately, but we must certify her in a "reason to suspect" finding, making her a case, in order to be reimbursed for the services we provide her.

Eligibility systems have primarily been used to retard assistance and reimbursement. It is often a game of "gotcha" with auditors who will not document that a family in need received essential services. Rather, the auditor determines whether the need/services neatly fit the categorical eligibility. Thus, we have the disallowance of financial participation for the service given to one, selected from an ocean of need, for lack of eligible categorical certification.

Flexibility with such criteria may also free states to experiment with eliminating the distinction between work for mothers and work for fathers. Our welfare reform efforts, for the most part, reward work only for mothers on aid, despite the fact that addressing male joblessness is indivisible from welfare reform.

Funding Levels

The most dangerous aspect of the block grants are the funding levels that do not allow room for recessionary pressures or the pressures that demographics will exert. In states with large numbers of elderly citizens on food, medical assistance, or in other programs, the demographics will work against the funding levels. In states like Missouri, where the fastest growing population is the very elderly group, the population requiring the most expensive aid is growing the fastest.

Child protection systems will also feel the strain and will be the strongest pull on funding from the other block grants to support the inexorable growth in the foster care population. Child protection is fundamentally different in that states cannot deny or refuse custody of children awarded by the courts. In this block grant especially, the funding levels will result in an unfunded mandate, since states must continue to fund their child protection systems. And unlike block grants that offer many avenues to move people from assistance to self-sufficiency, the factors that are driving the child protection caseloads are largely beyond the influence of state or local governments.

The true victims of the restricted funding levels under block grants will be working people. Recessions will cause working people to turn to the state systems for food and cash assistance, but the funds will already be obligated because states will likely expend their allocation on the existing population. Therefore, it is the working people who will bear the brunt of recessions and the loss of the temporary assistance needed to ride out a downturn in the economy.

The silver lining of capitated funding is that states can be more innovative with system design. Necessity is the mother of invention, and our human services systems sorely need invention. Inertia will drag us to a maintenance approach to human services; necessity should drive us to innovation.

Human services entitlements have never had to compete for scarce resources on an equal footing with other state needs. We are ill-equipped to do so in the vacuum left by eliminating federal mandates, and we may face a backlash built on the resentment of decades of mandated funding. New partnerships are needed to demonstrate the value of and need for our services, to show that they are as much a part of the quality of life in communities as roads or bridges.

Finance

The most exciting opportunities for redesigning human services systems lie in the flexibility granted under financing. No longer will states be required to pursue elaborate strategies in order to capture the available funding. A cottage industry has grown up that assists states in "maximizing federal funds," which is really the result of arcane and onerous federal regulations restricting the uses of such funds.

Our experiences in human services with cooperation and collaboration always fall short of the service integration needed to efficiently deliver services families and individuals genuinely need.

With flexibility in financing, states will be able to pursue financing methodologies similar to those in managed health care and capitation programs. Such strategies force the integration of financing, structure, systems, service delivery, and outcomes. Such a program has the potential to:

- Create accounting systems that track the cost of an individual across multiple services--and the cost and performances of individual providers according to multiple criteria;
- Organize itself in a matrix-like fashion, integrating horizontal management with vertical decision-making so as to efficiently deliver services that meet the needs of clients, rather than buyers or payment streams;
- Organize services around keeping individuals healthy and independent, not around the delivery of isolated units of service; and
- Focus the above activities on the outcome: self-sufficient and productive individuals.

Truly integrated services will arise only when forced by the financial exigencies of the system. Good intentions and efforts are worn down by the forces of turf protection and funding streams. We must focus our efforts on comprehensively strengthening families, perhaps through an analogue to health maintenance organizations broadened to be family maintenance organizations. An emerging conceptual context, FMOs are needed to harness the financial horses to pull together a fragmented system into a seamless whole that galvanizes the desired outcomes.

This will come as a very worrisome proposal to some social welfare advocates. Yet few can dispute that current systems are too fragmented and unworkable to achieve the results needed. It will be painful to change the way we finance the systems and then to tie the funding directly to the needs of the individual and to the results expected.

Accountability

H.R. 4 does not contain appropriate mechanisms to ensure accountability for the desired results. The reporting requirements are onerous and inappropriate and do not contribute to the assessment or achievement of results. The interest of the state is to ensure that the results are persons on a track to self-sufficiency, at a minimum, and that the appropriate safeguards are in place to be sure that there is a child development aspect to these efforts. It is not enough to create employment for women on welfare; the world is more complex than that. All of the designs of accountability measures in welfare reform must include breaking the cycle of dependency and ensuring the well-being of the generation being raised by the adult/clients.

The accountability measures should center on our ability to measure the results that society truly desires: parents working and able to provide for their families; the well-being of children ensured by programs and strategies that contribute to their development into productive adults.

There should be more attention in the legislation to national goals to be achieved by these block grants. Much work is being done in the country on benchmarks and outcome

measures related to parents working and children growing into productive adults. These measures should be the real accountability sought in the legislation. Accountability should also allow the states freedom from distinguishing between work for women and work for men. Indeed, if we are going to create strong families, then our singular focus on the mother going to work and the father paying his child support must be broadened to the more dynamic relationships necessary for strong families.

The approach offered by managed care and the use of partnerships at the community level in a new environment of devolution presents opportunities for a revitalized discussion of accountability. Historically, accountability has been measured by dollars and units of service provided, with no correlation to their impact. This will be the key challenge when we in human services have to compete for funding without the hammer of federal mandates.

Safety Net

The proposed legislation eliminates the social safety net and the protection for vulnerable populations. In fact, H.R. 4 moves us from the metaphor of a safety net to one of lifeboats. With the safety net gone, what we have are limited programs more akin to lifeboats. Under the lifeboat mentality, there is room (i.e., funding) for those who are able to make it to the lifeboats. Many others will be forced to swim for themselves, and some of them will inevitably drown.

In stark contrast, the national debate does not for a moment question the very strong safety net for the elderly. Social Security is off the deficit reduction table; the debate over Medicare has turned to restructuring and strengthening the solvency of the Medicare trust fund; the debate over Medicaid has, at least initially, been focused on the 60 percent of the money that serves the blind, aged, and disabled. The safety net for the elderly remains as strong as ever whereas the safety net for working families is being destroyed, and the safety net for the truly vulnerable is being shredded and turned into lifeboats that will save some and not others.

Social services agencies have never had to compete on an equal footing for scarce resources. Now we will have to. We are ill-equipped to do so and should focus our energies on learning how. One way to do that is to develop new partnerships that support our services, not necessarily our programs. We need to be able to demonstrate the need for our services for education, business, and even public safety.

General Comments

I would make the following general observations on the block grants:

- **Integrated Services/FMOs.** The most important effort that can result from the flexibility of block grants is that states can truly move to integrate human services, including health care services and the wraparound of human services in schools to ensure student success. States will have the opportunity to blend funding, pool budgets, and arrange financing systems that promote, indeed force, integrated services in a way that cooperation and collaboration will never achieve. Block

grants should move the debate from fragmented systems to FMOs characterized by integrated systems of comprehensive services.

- **Inertia.** The reality is that fiscal and political inertia will set in, constituencies will mobilize to retain their share of the funding, and the system that results after block grants will, in most settings, look much like the system does today with some tinkering on the margins.
- **Prevention.** The gravity in block grants will pull the funding to the maintenance and subsistence payments in cash welfare, foster care, and adoption assistance. The gains that states have been able to make in preventive services will be most at risk, with the greatest damage likely to be in the long-term.
- **Demographics.** In a recession, the so-called rainy day funds and other loan opportunities for states to meet the needs of their citizens are absolutely inadequate. Unless the demographics that currently drive our human services systems are taken into account, not only will there be great disparities among the states and the populations that are served, but we will lose the financing strategies necessary to ensure that the elderly are well cared for, that working people have the means to continue to work, and that the well-being of children remains important in our national priorities.
- **Safety Net vs. Lifeboat.** We will clearly move from the safety net to the life-boat mentality. A safety net is there for all who need it. Under block grants, we will have lifeboats that will be available to some but too full for others, forcing them to fend for themselves.

WELFARE REFORM: A MESSAGE FROM THE "RECEIVING END"

Robert Woodson, Sr.

Because I am an advocate for grassroots leaders who serve in hundreds of low-income communities, my comments on the social welfare legislation recently passed by the U.S. House of Representatives will reflect the opinions and experience of those who have been at the "receiving end" of the system.

Twenty-five community leaders, representing thousands of constituents in low-income communities throughout the nation, currently serve on the Grassroots Alternatives for Public Policy (GAPP task force) which was coordinated by the National Center for Neighborhood Enterprise (NCNE) at the request of House Speaker Newt Gingrich to provide elected officials with firsthand information regarding the impact of public policy. The Recommendations of this task force were published in a report titled "Bridging the Gap: Strategies to Promote Self-Sufficiency among Low-Income Americans." Many of the policy recommendations made by the people who will be most affected by social welfare programs were in agreement with the principles incorporated into legislation recently passed by the House.

Recognizing a Desire for Self-Sufficiency

GAPP stressed that a premise of all antipoverty legislation should be that the poor have a desire for self-sufficiency and personal responsibility. A fundamental flaw of the past welfare system was not only its failure to require reciprocity or incentives to work (which the House has sought to change with its work requirement) but, even worse, that it actually incorporated disincentives that discouraged work and savings.

In the past, welfare recipients who bravely took their first tentative steps toward self-sufficiency found their earnings reduced dollar for dollar from their benefits and lost even the security of health coverage. Youths who took part-time jobs with dreams of a college education witnessed their parents being threatened with termination of their benefits. For these reasons, there is grassroots support for the devolution of these programs to the states, for it is at this level that innovative strides have been made to institute commonsense guidelines in determining who should qualify for benefits and what restrictions should apply to them.

Yet, even if the present regulatory disincentives for work are removed, a number of practical obstacles stand in the way of low-income people attempting to enter the work force. Among these are lack of skills and training, transportation needs, and the need for child care. Residents of low-income communities have suggestions for how all of these needs might be met.

Training

Firsthand accounts by participants of government-funded job training programs are in accord with the findings of a report by the Government Accounting Office (GAO). Both claim that the government's training programs have been notoriously inefficient in equipping their trainees for existing jobs. GAO found that a very small percentage of training programs even kept records of the placement rates of their graduates and that those that did showed embarrassingly little success.[1]

One underutilized vehicle for effective job training is the programs operated by residents of low-income communities. Like most grassroots initiatives, these training programs are focused on outcomes. In this case, placements. They train specifically for an identified, existing, or expanded job market and have therefore established impressive records of success. One program that has trained welfare recipients in Washington, D.C., for example, has placed 90 percent of its trainees in jobs with annual salaries averaging $25,000.

In contrast to some federal summer jobs programs in which paychecks verge on being considered "entitlements," community-based programs stress personal responsibility and a solid work ethic, and thus prepare their trainees to compete in the real-world job market. Training programs that do not stress prompt arrival time and quality work can actually do their participants more harm than good, giving false expectations of what future employers will demand of them.

To ensure well-targeted job training programs and the utilization of indigenous training programs in low-income communities, the task force of community leaders made the following recommendations:

- Proven community-based job training programs should be eligible for block grant funding, and barriers restricting their operation should be removed.
- Training programs should be geared to specific industries that have current and expanding employment opportunities.
- Businesses that offer paid apprenticeships, internships, and training for young people should be given tax incentives.
- Young people who benefit from subsidized training or education program should be required, upon completion of that training, to return to their communities to work for a specific period.

Transportation

A number of trailblazing grassroots activists have also initiated a model that could meet the transportation needs that will arise from welfare-to-work initiatives. Residents of low-income communities have created "reverse commute" transportation services that shuttle inner-city residents by van to jobs in the suburbs. Suggestions have been made for budget cutting on a

[1] U.S. General Accounting Office, "Multiple Employment Training Programs: Basic Program Data Often Missing," Testimony before the Senate Committee on Labor and Human Resources, Washington, D.C., September 28, 1994.

local level by privatizing feeder routes to major bus routes and hiring inner-city residents to drive these shuttles vans.

Child Care

The child care needs of low-income areas can also be solved at a local level. Former welfare recipients in states such as Virginia and Florida have established home day care facilities that have freed their neighbors to take jobs. One public-housing resident developed a training branch that would equip other women in the community to open similar facilities. A welfare reform recently passed in Virginia was among the first to recognize and utilize this indigenous resource, including child care provision as a means through which welfare recipients could fulfill their work requirement.

Focus on Capacities of Low-Income Neighborhoods

In addition to the disincentives for work and savings described above, a root cause of the intergenerational welfare dependency we witness today is the fundamentally flawed orientation of the system. As the old maxim goes, "You get more of what you reward and less of what you punish." Yet the welfare industry and its service providers have identified low-income communities with their deficiencies, for their needs are the raison d'être of the system. Programs have been developed that, in essence, reward failure. If you are a drug addict, there is a program for you. If you are an unwed teen parent, there is a program for you; if you drop out of school, you'll find a program waiting for you. But if you have stayed in school, resisted drugs, and abstained from sex, there is virtually nothing for you.

The current welfare reform takes one step toward addressing this problem, by terminating steadily mounting subsidies for young women who continue to have children out of wedlock while on welfare, and by refusing to subsidize separate households for minors who have babies. This ends a tacit condoning of irresponsible sexual behavior and the failure of parents to accept full responsibility for their children. Yet these measures are more "stick" than "carrot", and still do not reward positive behavior.

Within neighborhoods affected by high rates of out-of-wedlock births, residents have established safe-havens for teens that effectively supplied guidance to youths to prevent them from becoming mothers and fathers before they become wives ands husbands. These oases of encouragement and support provide critically needed preventative strategies, and they deserve to be supported and promoted.

Millions of public dollars have been poured into research that amounts to no more than failure studies: tallies of the number of dropouts, addicts, and alcoholics in poverty-stricken neighborhoods. Yet the only thing that can be learned from studying failure is how to produce failure. Research funding should be used instead for a productive end, such as surveying the families faced with the same obstacles who have been able to raise healthy, wholesome children who have stayed in school and away from drugs and alcohol.

Asset Development, Not Custodian for the Poor

An effective and sustainable strategy to address poverty must contain incentives as well as sanctions. A misguided system of antipoverty programs has focused on custodianship of the poor. It has treated poverty as a "given" and its programs were designed to meet the needs of the poor perpetually rather than to eliminate those needs by promoting self-sufficiency.

In the society at large, two pillars of self-sufficiency are asset development and home ownership. Ironically, the regulations of a poverty industry that is more socialist than capitalist in nature have blocked the poor from both of these routes to financial independence.

Regulations related to welfare and public housing have capped household savings at $1,000, an amount that is insufficient to serve as a down payment for a home, the purchase of a reliable vehicle for transportation, or college education-related expenses.

GAPP strongly recommends that moves to be made to transform our antipoverty strategy from custodianship to provision of stepping-stones to self-sufficiency, and it emphasizes the importance of asset development and homeownership. The task force therefore supports such initiatives as the "Assets and Enterprise Opportunity Amendments of 1995", which recommend the following:

- Raising the general asset limitation of recipients from $1,000 to $2,000;
- Increasing the automobile limit for recipients of Aid to Families with Dependent Children (AFDC) to conform to the Food Stamp Program's $4,500 limit; and
- Allowing AFDC and food stamp recipients to save up to $10,000 in Individual Development Accounts (IDA's), which would be earmarked for such expenses as education, business capitalization, and homeownership. (IDA savings would be matched or subsidized by the government.)

Although homeownership is a key to asset-based upward mobility, the U.S. Department of Housing and Urban Development (HUD) has been exclusively in the "renting business" and does not offer "bridge" programs that would enable its clients to progress to homeownership. Such programs could and should be developed through public-private partnerships that would allow prospective homebuyers to contribute "sweat equity" toward the purchase of a home.

In addition, the Low-Income Housing Tax Credit should be expanded to include opportunities for homeownership as well as renting. GAPP also recommended that the escrow savings provisions in HUD's Family Sufficiency Program be extended to a universal savings mechanism that would be available to all assisted-housing residents. This program allows a portion of rents to be held in an escrow account for the resident for use in special categories of expenditures such as education, training, or homeownership.

Stress Comprehensive Community Development: Utilize the Capacities of Grassroots Organizations

Throughout the nation, inner-city areas are "disinvested" communities where businesses do not locate. Currently, as much as 97 percent of the income generated in these neighborhoods goes out of the community to businesses in the suburbs. Community revitalization in these

areas must be approached comprehensively with a strategy that incorporates housing, business, and employment opportunities and promotes business development, particularly small, indigenous entrepreneurial ventures. Sustained, continually developing revitalization must be generated from within, through the natural system of health and growth that is provided by strong families, community associations, and churches.

Comprehensive revitalization should include the establishment of enterprise zones in which incentives such as tax credits and abatements, as well as exemption from excessive regulation, are provided to businesses that locate or invest in blighted areas. Capital gains taxes should be reduced and should include lower marginal rates for investments in distressed areas. These provisions should be coupled with "equity expensing" for investments and start-ups of small enterprises in the designated zones.

Programs that promote micro-enterprise development and the creation of small businesses should also be encouraged. Initiatives that assist micro-enterprise development should be eligible to receive state and local block grant funds, and partnerships between traditional private lending institutions and local micro-lending programs should be forged. There is a desperate need for secondary financing markets that can provide mini-loans for small business development and entrepreneurial ventures.

The Role of Community Organizations

A necessary and powerful element of community revitalization lies within the afflicted communities in their neighborhood associations. One common element of blighted communities that contributes to their degeneration is the presence of vacant and abandoned housing. In a number of communities throughout the nation, local neighborhood groups have proven their ability to attack this problem. When empowered to purchase these properties, such groups have established an on-site presence to drive out drug traffickers using the buildings as crack houses. They have then mobilized community residents to do repair and construction work on the houses, providing employment opportunities and affordable housing as the rehabilitation projects were completed.

With these successful revitalization projects as a model, efforts should be made to facilitate the prompt sale of vacant homes; community-based organizations should be given the first option to purchase the buildings for rehabilitation and resale to neighborhood residents.

Local, faith-based neighborhood initiatives have also been uniquely effective in addressing the roots, rather than simply the effects, of some of the most destructive forms of poverty. Grassroots leaders who have lived in areas of poverty recognize that people are impoverished for different reasons. For some, poverty may be caused by factors outside their control such as plant closings or death or illness in the family. But others end up in poverty because of irresponsible behavior--the chances they take and the choices they make. As much as 50 percent of the poverty in major urban areas is due to drug abuse and alcoholism.

Grassroots leaders understand that, for substance abusers, job programs and financial aid have no significant impact unless they are preceded by an internal change in values and a return to personal responsibility. As living examples of the values and principles they

promote, community leaders have been uniquely successful in bringing about this internal change by serving as steadfast guiding "beacons."

From San Antonio, Texas, to Hartford, Connecticut, faith-based substance abuse programs, working with meager resources, have freed thousands of hard-core drug addicts and alcoholics from their addictions. With costs that are just a fraction of the expenses of secular professional therapeutic programs, they have established success rates that are far higher that those of conventional programs--in many cases, 70 percent and above.

In order to build on the success of faith-based solutions to poverty, the recommendations of the GAPP task force indicated two ways that public policy could be changed to enhance and facilitate effective grassroots initiatives: through financial support and by eliminating counterproductive regulatory barriers.

Such policy initiatives are incorporated into the Kolbe/Knollenberg Choice in Welfare Bill that has been introduced in the House and in similar legislation that will be sponsored by Senator Rick Santorum. This legislation allows citizens to designate a portion of the taxes they owe to an anti-poverty program of their choice--including programs that are faith-based. The House version of this legislation has the potential to put as much as $10 billion in the service of community-based initiatives that have been successful but financially strapped.

Examples of innovative efforts to reduce regulatory barriers are also being established--many at the state level. Until now, faith-based substance-abuse programs have not been recognized as a separate and distinct approach to ending addiction, though their methodology and procedures are fundamentally different from those of secular therapeutic programs. As a result, regulations and requirements for certification which were designed for secular substance-abuse centers that rely on professional psychotherapy and medical treatment are also imposed on faith-based programs.

These regulations are not relevant to the effectiveness of community-based, spiritually oriented programs, and they have had devastating consequences. For example, requirements that service providers have master's degrees have eliminated some of the most highly effective staff members of faith-based programs--men and women who have personally conquered the addictions that they are helping others to overcome.

If programs are to make a significant difference in the lives of those they serve, the inordinate emphasis on process and procedure must be shifted to a focus on product and results. As grassroots leaders know from personal experience, the solution to the problem of the Harlems of this nation will not be found in its Harvards. Indigenous, faith-based approaches to many of our country's most entrenched social problems meet the market test of outcomes. Regardless of ideology, philosophy, or religion, if public policy makers will consider the approach of grassroots initiatives strictly in terms of results, in an objective cost-benefit analysis, even the most secular of skeptics are certain to be impressed.

A window of opportunity now exists through which fundamental reform is possible regarding our nation's approach to poverty and our most ominous societal problems. We should make every effort to ensure that our steps to reform are informed by the expertise and knowledge of those who have firsthand experience of the problems and a track record of success in addressing them.

The efforts of the new House leadership to devolve decisionmaking authority and resources is an important step in this direction. To date, the most successful initiatives incorporating principles of citizenship empowerment and personal responsibility have been launched on the state level. As NCNE has documented through the work of its GAPP task force, those who have been on the receiving end of the federal government's largesse are among the strongest proponents of reform and of ending this nation's "maintenance" system for the poor. The next critical step will be to take the devolution one step further--to place trust, authority, and resources directly in the hands of those who can target them most wisely and effectively, grassroots leaders who live side by side with the people they serve.

THE FINANCE PROJECT

The Finance Project is a national initiative to improve the effectiveness, efficiency, and equity of public financing for education and other children's services. With leadership and support from a consortium of private foundations, The Finance Project was established as an independent nonprofit organization, located in Washington, DC. Over a three-year period that began in January 1994, the project is undertaking an ambitious array of policy research and development activities, as well as policymaker forums and public education activities.

Specific activities are aimed at increasing knowledge and strengthening the nation's capability to implement promising strategies for generating public resources and improving public investments in children and their families, including:

- examining the ways in which governments at all levels finance public education and other supports and services for children (age 0-18) and their families;
- identifying and highlighting structural and regulatory barriers that impede the effectiveness of programs, institutions, and services, as well as other public investments, aimed at creating and sustaining the conditions and opportunities for children's successful growth and development;
- outlining the nature and characteristics of financing strategies and related structural and administrative arrangements that are important to support improvements in education and other children's services;
- identifying promising approaches for implementing these financing strategies at the federal, state and local levels and assessing their costs, benefits, and feasibility;
- highlighting the necessary steps and cost requirements of converting to new financing strategies; and
- strengthening intellectual, technical, and political capability to initiate major long-term reform and restructuring of public financing systems, as well as interim steps to overcome inefficiencies and inequities within current systems.

The Finance Project is expected to extend the work of many other organizations and blue-ribbon groups that have presented bold agendas for improving supports and services for children and families. It is creating the vision for a more rational approach to generating and investing public resources in education and other children's services. It is also developing policy options and tools to actively foster positive change through broad-based systemic reform, as well as more incremental steps to improve current financing systems.

RESOURCES FROM THE FINANCE PROJECT

Working Papers:

Dollars and Sense: Diverse Perspectives on Block Grants and the Personal Responsibility Act (Joint publication of The Finance Project and the American Youth Policy Forum and The Policy Exchange of the Institute for Educational Leadership) (September 1995)

A Compendium of Comprehensive Community-based Initiatives: A Look at Costs, Benefits, and Financing Strategies by Cheryl D. Hayes, Elise Lipoff, and Anna E. Danegger (July 1995)

Rethinking Block Grants: Toward Improved Intergovernmental Financing for Education and Other Children's Services by Cheryl D. Hayes, with assistance from Anna E. Danegger (April 1995)

Securing Equal Educational Opportunities: Past Trends and Coming Challenges by Alexandra Tan and Martin Orland (February 1995)

Reform Options for the Intergovernmental Funding System: Decategorization Policy Issues by Sid Gardner (December 1994)

School Finance Litigation: A Review of Key Cases by Dore Van Slyke, Alexandra Tan and Martin Orland, with assistance from Anna E. Danegger (December 1994)

Spending and Revenue for Children's Programs by Steven D. Gold and Deborah Ellwood (December 1994)

The Role of Finance Reform in Comprehensive Service Initiatives by Ira M. Cutler (December 1994)

Forthcoming Working Papers:

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The Institute for Educational Leadership (IEL) is a not-for-profit organization whose mission is to improve educational opportunities and results for children and youth by developing and supporting leaders who work together. To achieve these results, IEL works with the leaders and emerging leaders of education, human and health service agencies at all governmental levels, non-profits, corporations and private foundations. The American Youth Policy Forum and the Policy Exchange are centers of program activity affiliated with the Institute.

The American Youth Policy Forum provides policymakers and their aides with information and experiences helpful to the development of an effective youth education, training and transition-to-employment system for the United States. The Forum does this by bringing leading policy makers, researchers and implementers into dialogue with a bipartisan group of senior Congressional aides and Executive Branch officials and their counterparts in the states. The Forum also supplements Washington work experience with a variety of informal, in-service training seminars, policy reports and in-the-field personal observations: site visits to programs in the field, workshops, debates and various exchanges of perspectives with leaders and program implementers outside Washington.

The IEL Policy Exchange helps policymakers and practitioners at the national, state and local levels work on cross-cutting issues, focusing on policy initiatives that foster effective education and human services for families. Activities include conducting national seminars and site visits; creating networks of policymakers in education and human services fields; facilitating action on policy issues affecting education and human services; and producing publications that bridge agency and disciplinary boundaries.

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"Families aren't what they used to be, but they are still families." A new report from the Institute for Educational Leadership's Center for Demographic Policy, says that "families are diverse." The report, written by the associate director, Janice Hamilton Outtz, was sponsored by the Milken Institute for Job and Capital Formation. 1993 · 24 pp. · $12.00

The Invisible Poor: Rural Youth In America by Harold L. Hodgkinson with the assistance of Anita Massey Obarakpor
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Governing Public Schools: New Times, New Requirements by Jacqueline P. Danzberger, Michael W. Kirst, Michael D. Usdan
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Starting Young: School-Based Health Centers at the Elementary Level
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Putting Children First: State-Level Collaboration Between Education and Health
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Solving the Maze of Federal Programs for Children and Families by Margaret Dunkle
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by the IEL Policy Exchange and the White House Domestic Policy Council
On October 4, 1994, the Domestic Policy Council, in cooperation with the IEL Policy Exchange, held an invitational bipartisan seminar on *Comprehensive Strategies for Children and Families*. This seminar built on a meeting the White House Domestic Policy Council convened in July 1994 that brought together practitioners and policy makers from across the country to share what they were doing and to spark a broad inquiry into "going to scale" with promising comprehensive strategies for children and families. *1994 $10.00*

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